Exchange
Income
Corporation

Third Quarter Report

For the nine months ended September 30, 2023

CEO's Message

The third quarter can be characterized as one of steady execution of our strategy, staying true to our underlying core principles of diversification, discipline, growing sustainable dividends, and giving back to the communities we are privileged to serve. While the second quarter of 2023 was one of the busiest quarters of activity in our history, where we executed on multiple initiatives in both of our operating segments, including closing on strategic acquisitions, winning long term government contracts, and ensuring access to capital to maintain our balance sheet, the third quarter can be described as dogmatic perseverance. Strong operating performance coupled with the integration of initiatives to facilitate expansion of our business in 2024 and beyond resulted in the best absolute numbers in our history. We completed an equity offering in the second quarter to strengthen our balance sheet and provide for future growth. Those funds will be used to fund contract wins and acquisitions, like DryAir Manufacturing, in future quarters. These funds were not deployed in the third quarter and therefore impacted per share results.

Highlights from EIC's 2023 Third Quarter Financial Performance

- Revenue increased 17% to a record high of $688 million, up from $587 million last year;
- Adjusted EBITDA grew by 12% to a record high of $168 million, up from $150 million last year;
- Free Cash Flow increased 4% to a record high of $117 million, up from $113 million last year;
- Free Cash Flow less Maintenance Capital Expenditures increased by $5 million to a record high of $74 million from $69 million the previous year;
- Net Earnings and Adjusted Net Earnings grew by approximately $1 million over the previous year to record highs of $50 million and $55 million, respectively, while on a per share basis they declined by 12% and 11% to $1.06 and $1.19, respectively, pending the deployment of the capital raised in the second quarter on future long-term contracts.
- Announced an increase in the dividend of $0.12 per annum to $2.64 per share, or an increase of 5%.

The third quarter of the year continued to highlight the power of our diversified model. Our strong aggregate results, on an absolute basis, were achieved with some subsidiaries generating strong results while others were operating through a more challenging period and others continued to recover from pandemic headwinds and inflationary pressures.

The increase in consolidated revenue was driven by both Aerospace & Aviation and Manufacturing segments. Our Essential Air Services and Aerospace business lines continued to capitalize on investments made in previous periods to increase capacity of our fixed and rotary wing aircraft. These investments are now driving the expected returns as passenger volumes return to and exceed historical levels and our Netherlands surveillance aircraft and Force Multiplier were fully deployed. Those investments also drove increased charter, fire suppression and rotary medevac revenue. Aircraft Sales & Leasing revenue continued to trend positively with strong demand for parts sales and utilization on our fleet of leased aircraft continuing to improve as lessees fly more hours and a greater number of assets are placed on lease. Investments made in prior periods to increase our inventory portfolio drove expected returns. These trends were partially offset by a decline in large asset sales year over year, however sales in 2023 were still above historical norms.

In our manufacturing segment, our acquisitions of Hansen Industries and BVGlazing, coupled with consistent demand in existing operations drove growth in revenue for the segment. In our existing Multi-Storey Window Solutions business, the revenue increase was attributable to increased manufacturing of windows as we experienced a more normal production schedule. This growth was somewhat offset by the decline in revenue year over year, previously discussed, in our Environmental Access Solutions business. The third quarter of 2022, for our Environmental Access Solutions business, benefited from the perfect alignment of price, demand, supply, and weather that drove results beyond our expectations but was not sustainable at that level. The results for this business line in the third quarter of this year are still strong, and in excess of what the acquisition was priced, however the combination of forest fires and a very dry summer have resulted in a decrease in demand for mats when compared to the prior period. This change in demand is combined with an increased, industry wide, supply of mats which has also resulted in lower rental mat fleet utilization. The run rate in the prior period was not sustainable and is consistent with messaging provided in prior periods.

In our Essential Air Services business, the team at Carson Air is actively working on preparing their platform, in conjunction with the recently awarded 10 year contract, to deliver the exceptional service the Province of British Columbia has come to expect from them to provide fixed wing medevac service for the entire province. Twelve new aircraft have been ordered, new bases are being set up, and crews are being hired to deliver on this contract. When aircraft are received they will each be significantly modified with the highest standards of medical equipment to achieve the superior level of care patients in British Columbia expect. We will begin to generate new revenues under the contract in late 2023, utilizing temporary aircraft while the new aircraft are delivered from the manufacturer and are modified into medical configurations. This process should be complete in early 2025. Concurrently, prior to the quarter end, the team at Keewatin Air has acquired three of five new aircraft to deliver on their contract win with the Province of Manitoba to provide critical care medevac service in the province, for an initial term of 10 years, with the first flights anticipated to be flown in the first quarter of 2024 and results evident in the second half of 2024.

Flying for these two important contracts will increase gradually over the next five quarters as additional aircraft are brought into service. We will invest a combined total of $275 million securing aircraft to deliver on these contracts. Our medevac businesses have performed consistently over the past 20 years under our ownership and 40 plus years previous to that. We are thrilled to be expanding our footprint in this business line.

In addition to the medevac investments, PAL Airlines commenced flying under their announced CPA with Air Canada. Their first flight, under the contract, was completed on July 1, 2023. Since then, existing capacity has been utilized pending delivery of four additional Q400's. These aircraft are expected to begin flying gradually in the fourth quarter of this year and will immediately be accretive to our bottom line. Full scale flying is anticipated for the first quarter of 2024.

In our Aerospace business line, our maritime surveillance aircraft continue to operate at or above expected flying hours. This is true for our 18-month contract announced with the United Kingdom government Home Office. Our team anticipates an RFP to be announced imminently for a long-term engagement and are working diligently to position themselves as a key competitor to win that engagement.

Investments in the future were not limited to our Aerospace & Aviation segment. The acquisition of BVGlazing is one of our key growth engines when we look forward. BVGlazing's core business is complementary to our existing capabilities and their combined order backlog and bidding pipeline remain extremely robust and suggests a future surge in orders and commensurate growth for years to come. The order book has remained consistent at approximately $1 billion. The interest rate environment and general economic uncertainty have resulted in delays from developers awarding new work, however our pipeline is at the highest level it has ever been as a result of the housing deficit, and the very high cost of single family and low rise multi-family facilities.

Subsequent to the end of the quarter we were pleased to announce the acquisition of DryAir Manufacturing located in St. Brieux, Saskatchewan. DryAir was established almost 30 years ago and has grown to become a major supplier and manufacturer of portable, hydronic climate control equipment. Their products generally fall into three main categories, including ground thaw, portable heating units and boiler tie-ins, serving a variety of end markets. Their focus on research and development, the versatility of their product applications, and their unwavering commitment to a customer-centric approach that consistently delivers high-quality solutions tailored to meet clients' specific needs made them a perfect fit to join our family of companies. We are excited to welcome Claude Bourgault and Myrlen Kleiboer, the founders of the company, to our management team. The purchase price of the acquisition was $60 million and will be immediately accretive to our bottom line commencing in the fourth quarter of this year.

I have previously highlighted how the higher interest rate environment has been a positive development for EIC in some respects. The higher rates have tempered acquisition markets where financial buyers, who base their acquisition model on higher levels of debt than EIC is comfortable with, have struggled to find deals that meet their criteria. This in turn has served to bring a moderation in acquisition prices. While there is still competition for good companies with proven management teams, EIC is finding ourselves competitive on a greater number of transactions, particularly larger transactions. Our pipeline remains strong and we continue to assess transactions that meet or exceed our historical benchmarks for return on capital.

We remain grounded in our strategy of managing the present and focusing on the future. Our ongoing success continues to be driven by more than operating excellence and this focus on the future is what excites me the most when I reflect on our third quarter performance. In the second quarter of this year, we completed our largest common share offering in our history. Our weighted average number of common shares increased by 14% primarily due to the second quarter offering. This of course, temporarily, impacts our per share results. Short term pain for long term gain is not new to our story and we are proud of how we have diligently been able to manage our balance sheet, including the equity raise and enhanced credit facility, to set us up for success in executing on recent contract wins and anticipated new contract proposals. The confidence in our future and our collective sustained performance has allowed us to increase our dividend by $0.12 per annum to an amount of $2.64 per share and provide guidance for 2024 Adjusted EBITDA between $600 million and $635 million with further growth in 2025 as contracts fully mature.

Life at EIC is not just about the numbers. Giving back to the communities we serve, in various ways, has always been one of our core values. Exiting the quarter we were very proud to host our Indigenous communities and partners at two events that are very important to us. We celebrated our second graduating class from the Atik Mason Indigenous Pilot Pathway, in Thompson, Manitoba and a week later we collaborated with our Indigenous partners and the Winnipeg Football Club to host over 1,000 Indigenous guests, in honor of National Day for Truth and Reconciliation, for the third year in a row, at a Winnipeg Blue Bomber Football game. Both events were bigger than previous years and highlight and bring awareness to the importance of Truth and Reconciliation in Canada. The 2023 graduating class from the Pilot Pathway program was 60% larger than the previous year and we were ecstatic to announce that six of the graduates will be accepting employment offers from our subsidiaries in the next twelve months as well as our plans to expand the program to include a seasonal location in Nunavut in 2024. The football game was also expanded to include guests from not just Manitoba, Nunavut, and Northwestern Ontario but from coast to coast across Canada. "Imitation is the greatest form of flattery" and we were proud to see other teams in the CFL honor the day for Truth and Reconciliation by following in our footsteps and having their teams also warm up in orange practice jerseys to mark the importance of Orange Shirt day. We look forward to the evolution and expansion of these events in the years to come and witnessing the positive impact they continue to have on our relationships with the Indigenous communities we are humbled to serve.

At the heart of all this success is our people. Each and every one of our teams, at our subsidiaries and supporting operations, are a blend of exceptional people with diverse and impressive backgrounds that drive our performance day in and day out. I want to thank them for their dedication, effort, and loyalty they demonstrate each day. We are bullish about our future and are focused on continuing to deliver reliable income and consistent growth to our shareholders. We look forward to updating everyone on our full year results in February.

Mike Pyle

Chief Executive Officer

November 9, 2023

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PREFACE

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2023 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Corporation"). All amounts are stated in thousands of Canadian dollars, except per share information and share data, unless otherwise stated.

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three and nine months ended September 30, 2023, its annual financial statements for the year ended December 31, 2022, and its annual MD&A for the year ended December 31, 2022. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim financial statements.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements, and developments of the Corporation and/or its subsidiaries to differ materially from anticipated results, performance, achievements, and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: COVID-19 related risks; economic and geopolitical conditions; competition; government funding for First Nations health care; access to capital; market trends and innovation; general uninsured loss; climate; acts of terrorism; pandemic; level and timing of defence spending; government funded defence and security programs; environmental, social and governance; significant contracts and customers; operational performance and growth; laws, regulations and standards; acquisition risk; concentration and diversification risk; maintenance costs; access to parts and relationships with key suppliers; casualty losses; environmental liability risks; dependence on information systems and technology; international operations risks; fluctuations in sales prices of aviation related assets; fluctuations in purchase prices of aviation related assets; warranty risk; performance guarantees; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; credit facility and the trust indentures; dividends; unpredictability and volatility of prices of securities; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest. A further discussion of these risks is included in *Section 11 – Risk Factors*.

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

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

EXCHANGE INCOME CORPORATION

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

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

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

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

Segment Summary

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

All consolidated revenue percentages noted below have been calculated by adjusting revenues for acquisitions that were completed in fiscal 2022 to reflect a full year contribution. Acquisitions completed in the current year are not included.

Aerospace & Aviation Segment

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

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

Essential Air Services accounted for approximately 33% of the Corporation's consolidated revenues in fiscal 2022. Items impacting margins within this business are fuel prices, load factors, weather, and, in the current operating environment, the ability to source a full complement of pilots and aircraft mechanics. Labour costs in these areas have increased well above the rate of inflation and in certain circumstances cannot be immediately flowed through to the customer.

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

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

Aerospace accounted for approximately 14% of the Corporation's consolidated revenues in fiscal 2022. Training solutions typically generate lower margins as there are low capital requirements outside of working capital, whereas ISR flying operations typically have higher margins as the upfront investment in the owned assets to perform the ISR flying operations is reflected as an expense through depreciation.

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

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

Aircraft Sales & Leasing accounted for approximately 16% of the Corporation's consolidated revenues in fiscal 2022. The most significant item impacting margins in this line of business is sales mix. Leasing contributes very high margins and therefore variability in leasing revenue has the largest impact on margin. Within this business line, parts revenue is the most predictable and stable from both sales and margin perspectives; whereas the sale of aircraft and engines vary on a period to period basis, both in volume and in price, but are generally higher dollar and lower margin transactions.

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

Manufacturing Segment

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

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

Environmental Access Solutions accounted for approximately 12% of the Corporation's consolidated revenues in fiscal 2022. Rentals generate higher margins than other lines of business within Environmental Access Solutions. Rental activity is influenced by several factors, such as the supply of mats in the marketplace, the availability and pricing of timber used in mat production, and weather conditions, including the amount of precipitation and temperature. In addition to rentals, the sale of mats and the overall sales mix in a given period can also have a significant impact on margins. These mat sale transactions are generally higher dollar value and lower margin transactions when compared to rental revenue.

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

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

Multi-Storey Window Solutions accounted for approximately 10% of the Corporation's consolidated revenues in fiscal 2022. The most significant items impacting margins within this line of business are the cost of raw materials and product mix. Since our subsidiaries both manufacture and install exteriors of high-rise buildings, the margins realized in a particular period can vary based on the type of work performed. Installation, particularly on jobs completed with non-Quest/BVGlazing product, generate lower margins than for supply and install projects.

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

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

Precision Manufacturing & Engineering accounted for approximately 15% of the Corporation's consolidated revenues in fiscal 2022. Margins in this line of business are typically stable. While there may be margin pressure in times of rapid escalation of prices of raw materials, generally our subsidiaries have the ability to pass on these costs to customers over time due to the specialty nature of the products that are being provided.

Precision Manufacturing & Engineering includes the operations of Ben Machine Products Company Incorporated, DryAir Manufacturing Corp. (subsequent to October 5, 2023), Hansen Industries Ltd., LV Control Mfg. Ltd., Overlanders Manufacturing LP, Stainless Fabrication, Inc., Water Blast Manufacturing LP, and WesTower Communications Ltd.

Management of the Corporation continuously monitors and provides support to the operating subsidiaries. The operating subsidiaries of the Corporation, however, operate autonomously and maintain their individual business identities.

1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

The financial highlights for the Corporation for the periods indicated are as follows:

FINANCIAL PERFORMANCE	2023	per share basic	per share diluted	2022	per share basic	per share diluted
For the three months ended September 30						
Revenue	**$ 687,673**			$ 586,770		
Adjusted EBITDA(1)	**167,751**			150,379		
Net Earnings	**49,523**	**$ 1.06**	**$ 0.99**	48,936	$ 1.20	$ 1.09
Adjusted Net Earnings(1)	**55,263**	**1.19**	**1.09**	54,530	1.34	1.20
Free Cash Flow(1)	**117,143**	**2.51**	**2.20**	112,832	2.77	2.38
Free Cash Flow less Maintenance Capital Expenditures(1)	**74,341**	**1.60**	**1.43**	69,009	1.70	1.49
Dividends declared	**29,369**	**0.63**		25,283	0.62	
For the nine months ended September 30						
Revenue	**1,841,739**			$ 1,516,013		
Adjusted EBITDA(1)	**411,904**			332,390		
Net Earnings	**93,280**	**2.11**	**2.04**	82,679	$ 2.09	$ 2.02
Adjusted Net Earnings(1)	**110,283**	**2.49**	**2.38**	100,866	2.54	2.41
Free Cash Flow(1)	**274,853**	**6.21**	**5.46**	249,492	6.29	5.46
Free Cash Flow less Maintenance Capital Expenditures(1)	**151,856**	**3.43**	**3.15**	135,861	3.43	3.14
Dividends declared	**83,983**	**1.89**		70,737	1.78	
Trailing Twelve months as at September 30						
Adjusted Net Earnings payout ratio(1)		**78%**			72%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)		**58%**			52%	
FINANCIAL POSITION	**September 30, 2023**			December 31, 2022		
Working capital	**$ 556,603**			$ 465,481		
Capital assets	**1,477,887**			1,284,409		
Total assets	**3,945,641**			3,548,836		
Long-term debt	**1,333,502**			1,214,764		
Equity	**1,248,927**			1,019,054		
SHARE INFORMATION	**September 30, 2023**			December 31, 2022		
Common shares outstanding	**46,662,585**			42,479,063		
	September 30, 2023			September 30, 2022		
Weighted average shares outstanding during the period - basic	**44,270,149**			39,649,472		

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

SIGNIFICANT EVENTS

Normal Course Issuer Bid ("NCIB")

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

The Corporation can purchase a maximum of $8.0 million principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8.6 million principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14.4 million principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11.5 million 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 less than $0.1 million for each series. 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.

Acquisition of Hansen Industries Ltd.

On April 1, 2023, the Corporation completed the acquisition of Hansen Industries Ltd. ("Hansen") for $44 million, including purchase price consideration of $4 million in EIC common shares, subject to customary post closing adjustments. Hansen, located in Richmond, B.C., provides custom fabrication of precision metal components and assemblies using automated equipment within its two key divisions: sheet metal, its largest division, and machining. Hansen also has a high-volume metal stamping shop offering a full-service solution to its customers.

Acquisition of BVGlazing Systems Ltd.

On March 16, 2023, the Corporation announced that it had entered into an agreement to acquire BVGlazing Systems Ltd. ("BVGlazing") for a purchase price of $96 million, including EIC share consideration of $23 million, subject to customary post closing adjustments, following receipt of regulatory approval under the Competition Act (Canada). On May 1, 2023, the Corporation completed the acquisition of BVGlazing after receiving the necessary approvals to close. BVGlazing, located in Southern Ontario, designs, engineers, manufactures, and supplies window, door, and railing systems for mid-rise and high-rise building projects in Canada and the US. BVGlazing manufactures unitized and stick curtain wall systems and railing systems, in addition to window wall glazing systems similar to those produced by EIC's existing subsidiary Quest. BVGlazing's added capability to provide curtain wall and railing products together with Quest's integrated installation capability will allow our collective window operations to offer complete solutions to their customers, an increasingly important attribute as developers turn to mixed-use projects that integrate residential, office and retail spaces to make more efficient use of their properties.

Credit Facility Upsize and Extension

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

PAL Airlines to Provide Regional Service in Eastern Canada on behalf of Air Canada

On May 30, 2023, the Corporation announced the completion of a Letter of Intent between PAL Airlines and Air Canada as a preliminary step towards the finalization of a commercial agreement between the two airlines for the provision of regional air services in Eastern Canada. PAL Airlines and Air Canada subsequently executed this contract, and PAL Airlines commenced service under the agreement on July 1, 2023. The finalized agreement allows for PAL Airlines to operate up to six Dash-8 Q400 aircraft on behalf of Air Canada, serving regional markets in Eastern Canada.

Fixed Wing Medevac Contract for the Province of British Columbia

On June 5, 2023, Carson Air was awarded a long-term contract by the Province of British Columbia to provide fixed wing medevac coverage for the entire Province of British Columbia for ten years plus renewal options. This contract requires Carson Air to purchase new King Air aircraft which will result in EIC being one of the largest King Air operators in the world. These new King Air aircraft have been ordered from the OEM and we expect them to be delivered over several quarters starting in the fourth quarter of 2023.

Bought Deal Financing of Common Shares

On June 14, 2023, 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 3,306,250 shares of the Corporation at $52.25 per share, for gross proceeds of approximately $173 million. The net proceeds of the offering will be used to fund the Corporation's growth initiatives, including partially funding the investments associated with the recent announcements of the agreement with Air Canada and long-term medevac contracts.

Deployment of Force Multiplier Aircraft on 18 Month Contract

On June 19, 2023, PAL Aerospace announced the deployment of its Force Multiplier Program to deliver airborne Intelligence, Surveillance and Reconnaissance support for the United Kingdom Home Office's Small Boats Operation Command. Equipped with advanced imaging and radar systems, the PAL Aerospace Dash 8 aircraft is tasked with surveillance of maritime activity in support of the United Kingdom's ongoing fight against illegal migration and small boat crossings of the English Channel. The aircraft has been deployed for an initial period of eighteen months.

Province of Manitoba Fixed Wing Critical Care Medevac Contract Award

On July 17, 2023, the Corporation announced it was the successful bidder to provide critical care fixed wing medevac coverage for the Province of Manitoba. The tendered 10-year contract requires a fleet of five planes which will be a combination of jet and turbo prop aircraft. The aircraft are in the process of being acquired and are expected to be phased into service with the first aircraft going into service near the end of the first quarter of 2024.

Successful Season of the Atik Mason Indigenous Pilot Pathway

On September 19, 2023, the Corporation announced the completion of a successful second year of the Atik Mason Indigenous Pilot Pathway program and the expansion of this program to Rankin Inlet in 2024. This fully funded program provides the opportunity for Indigenous community members to learn to fly and build careers as professional pilots. With the support of Manitoba Keewatinowi Okimakanak Inc., the Pathway saw six returning students from the first year further their training and 12 new Indigenous students commence their journey.

SUBSEQUENT EVENTS

Acquisition of DryAir Manufacturing Corp.

On October 5, 2023, the Corporation completed the acquisition of DryAir Manufacturing Corp. ("DryAir") for $60 million, including purchase price consideration of $15 million in EIC common shares, subject to customary post closing adjustments. DryAir, located in St. Brieux, Saskatchewan, provides portable hydronic heating systems that offer affordable and reliable climate control solutions to a variety of industries throughout North America.

Dividend Increase

On November 9, 2023, the Corporation increased its monthly dividend by 5% or $0.12 per annum to $2.64 per annum. The increase is effective beginning with the November dividend, which will be paid to shareholders in December 2023.

2. RESULTS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Corporation for the three months ended September 30, 2023, and the comparative 2022 period.

	Three Months Ended September 30, 2023			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 414,693	$ 272,980	$ -	$ 687,673
Expenses (1)	290,627	219,006	10,289	519,922
Adjusted EBITDA	124,066	53,974	(10,289)	167,751
Depreciation of capital assets				54,106
Amortization of intangible assets				5,638
Finance costs – interest				29,262
Depreciation of right of use assets				10,561
Interest expense on right of use lease liabilities				2,077
Acquisition costs				1,631
Earnings before income taxes				64,476
Current income tax expense				10,902
Deferred income tax expense				4,051
Net Earnings				$ 49,523
Net Earnings per share (basic)				$ 1.06
Adjusted Net Earnings				$ 55,263
Adjusted Net Earnings per share (basic)				$ 1.19

	Three Months Ended September 30, 2022			
	Aerospace & Aviation	Manufacturing	Head Office	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 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
Net Earnings per share (basic)				$ 1.20
Adjusted Net Earnings				$ 54,530
Adjusted Net Earnings per share (basic)				$ 1.34

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 $688 million, an increase of $101 million, or 17% over the prior period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $51 million over the prior period and the Manufacturing segment increasing by $50 million over the prior period.

Adjusted EBITDA of $168 million was generated by the Corporation during the period, an increase of $17 million or 12% over the prior period. The increase was attributable to the Aerospace & Aviation segment increasing by $24 million over the prior period offset by a decrease in the Manufacturing segment by $6 million over the prior period. Head Office costs were relatively consistent with the prior period.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $51 million to $415 million.

Revenue within Essential Air Services increased 13% over the prior period. This was driven by a number of factors including increased passenger demand attributable to resumption of medical appointments and population growth as well as route expansions, expanded scope of medical air transport in Central and Eastern Canada, and investments made to increase our fleet capacity to capture increased charter opportunities. In addition, investments made in our rotary-wing operations, including the purchase of additional helicopters for both our fire suppression and medevac operations, increased revenue over the prior period.

Revenue within Aircraft Sales & Leasing increased by 7% over the prior period. Part sales and lease revenues continue to trend positively. Utilization of our fleet of leased aircraft continued to increase as lessees fly more hours and a greater number of our assets are placed on lease. Part sales increased over the prior period as strong demand and investments made in prior periods to increase our inventory portfolio generated expected returns. These increases were partially offset by a decline in large asset sales. In the prior period, large asset sales were well above historical norms which, consistent with our expectations, were high-dollar, lower margin sales. Large asset sales in the current period were still above historical norms, but were not as high as in the prior period. Lease revenue for the period was $15 million (2022 – $8 million) and Sales and Service revenue was $86 million (2022 – $86 million).

Revenue within Aerospace increased 26% over the prior period primarily due to the previously awarded Netherlands Coast Guard Contract that began in the fourth quarter of 2022 along with the United Kingdom Home-Office contract that was awarded in May 2023.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased by $24 million to $124 million.

Adjusted EBITDA within Essential Air Services increased 22% over the prior period. The increase in revenue discussed above drove the increase in Adjusted EBITDA. The percentage increase in Adjusted EBITDA outpaced the percentage increase in revenue within Essential Air Services due to increased passenger load factors and expanded routes.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 19% over the prior period. The primary reason for this is due to the increased lease revenue, where margins within this revenue stream are above 90% as the capital cost associated with leasing is represented through depreciation.

Adjusted EBITDA within Aerospace increased 36% over the prior period. The increase is attributable to increased flying for new contracts that have been awarded to the Corporation. These new contracts changed the product mix in Aerospace to include more ISR operations on owned aircraft compared to the prior period. The percentage increase in Adjusted EBITDA outpaced the percentage increase in revenue due to the higher capital intensity nature of ISR flying revenue as the capital cost is recognized as an expense through depreciation.

Manufacturing Segment

The Manufacturing segment revenue increased by $50 million or 22% over the prior period to $273 million.

Revenue within the Environmental Access Solutions decreased by 31% from the prior period. Strong results have been achieved by Environmental Access Solutions, in excess of those upon which the acquisition was priced, but the combination of forest fires and a very dry summer has resulted in decreased demand for mats when compared to the prior period. In addition, an increased industry wide supply of mats has resulted in lower rental mat fleet utilization compared to the prior period. The third quarter of 2022 was the perfect alignment of price, demand, supply and weather that drove results above our expectations but was not sustainable at that level. This decline is consistent with messaging provided at the time and earlier in 2023.

Revenue within Multi-Storey Window Solutions increased by 128% over the prior period which is attributable to two factors. Firstly, the acquisition of BVGlazing on May 1, 2023, contributed to the increase in revenue over the prior period. Secondly, manufacturing of windows increased as we experienced a continued normalizing of the production schedule compared to the prior period.

Revenue within Precision Manufacturing & Engineering increased 7% over the prior period. The acquisition of Hansen on April 1, 2023, is primary factor driving the increase over the prior period.

Adjusted EBITDA in the Manufacturing segment decreased by $6 million or 11% to $54 million for the period.

Adjusted EBITDA within Environmental Access Solutions decreased by 38% from the prior period. Northern Mat continues to outperform the economics upon which the deal was priced. The prior year experienced higher than normal demand for rental mats and bridges driven by the perfect alignment of price, demand, supply and weather, and as a result our rental mats experienced utilization near practical capacity during the prior period. In addition, in the current period, mat and bridge rentals, which generate higher margins than other revenue streams, made up a smaller portion of revenue than in the prior period. This change in sales mix resulted in revenues decreasing at a slower pace than Adjusted EBITDA. This decline was expected as the run rate in the prior period was not sustainable and is consistent with messaging provided at the time.

Adjusted EBITDA within Multi-Storey Window Solutions increased by 142% over the prior period. The current period results include the acquisition of BVGlazing on May 1, 2023, with no prior period comparative and also benefitted from a more normalized window manufacturing production schedule.

Adjusted EBITDA within Precision Metal & Engineering increased 18% primarily due to the acquisition of Hansen on April 1, 2023. The product mix at certain subsidiaries further contributed to increased margins over the prior period, positively contributing to Adjusted EBITDA.

Adjusted EBITDA for the Manufacturing segment decreased as a result of a change in product mix. A decrease in the Environmental Access Solutions' revenue resulted in lower Adjusted EBITDA margins for the Manufacturing segment as a whole. The Adjusted EBITDA margins of the individual components were strong and in fact both the Multi-Storey Window Solutions and the Precision Manufacturing & Engineering Adjusted EBITDA margins increased form the prior period.

NET EARNINGS

Three Months Ended September 30,		2023		2022
Net Earnings	$	49,523	$	48,936
Net Earnings per share	$	1.06	$	1.20

Net Earnings was $50 million, an increase of $1 million or 1% over the prior period. The $17 million increase in Adjusted EBITDA during the current period contributed to the increase in Net Earnings. This increase was mostly offset by two main items. First, interest costs increased over the prior period by $8 million due to the increased benchmark borrowing rates as well as the increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Second, depreciation on capital assets increased by $9 million over the prior period due to the acquisition activity and investment in Growth Capital Expenditures over the past 12 months.

Income tax expense decreased by $4 million from the comparative period. The Corporation's effective rate of tax decreased primarily because in the current period the Corporation generated a greater proportion of its earnings in lower tax jurisdictions.

Net Earnings per share decreased by 12% from the prior period to $1.06. The weighted average number of shares increased by 14%, which reduced Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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,		2023		2022
Net Earnings	$	49,523	$	48,936
Acquisition costs (net of tax $35 and $219)		1,596		1,094
Amortization of intangible assets (net of tax $1,494 and $1,664)		4,144		4,500
Adjusted Net Earnings	$	55,263	$	54,530
per share – Basic	$	1.19	$	1.34
per share – Diluted	$	1.09	$	1.20

Adjusted Net Earnings was $55 million, an increase of $1 million or 1% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $4 million in intangible asset amortization and $2 million in acquisition costs (all net of tax). Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary.*

Adjusted Net Earnings per share decreased 11% from the prior period to $1.19. The weighted average number of shares increased by 14%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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,		2023		2022
Cash flows from operations	$	117,257	$	104,992
Change in non-cash working capital		7,362		14,620
Acquisition costs (net of tax $35 and $219)		1,596		1,094
Principal payments on right of use lease liabilities		(9,072)		(7,874)
	$	117,143	$	112,832
per share – Basic	$	2.51	$	2.77
per share – Diluted	$	2.20	$	2.38

The Free Cash Flow generated by the Corporation during the period was $117 million, an increase of $4 million or 4% over the prior period. The increase in Adjusted EBITDA of $17 million is the primary reason for the increase in Free Cash Flow for the period. This was partially offset by an increase in cash interest costs and current taxes. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis decreased 9% from the prior period to $2.51. The weighted average number of shares increased by 14%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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, 2023, and the comparative 2022 period.

	Nine Months Ended September 30, 2023			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 1,112,983	$ 728,756	$ -	$ 1,841,739
Expenses (1)	807,419	593,597	28,819	1,429,835
Adjusted EBITDA	305,564	135,159	(28,819)	411,904
Depreciation of capital assets				151,646
Amortization of intangible assets				15,867
Finance costs – interest				83,139
Depreciation of right of use assets				27,267
Interest expense on right of use liabilities				5,406
Acquisition costs				5,599
Other (Note 5)				(951)
Earnings before taxes				123,931
Current income tax expense				23,801
Deferred income tax expense				6,850
Net Earnings				$ 93,280
Net Earnings per share (basic)				$ 2.11
Adjusted Net Earnings				$ 110,283
Adjusted Net Earnings per share (basic)				$ 2.49

	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
				Nine Months Ended September 30, 2022
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 lease 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

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 $1,842 million, an increase of $326 million, or 21% over the prior period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $116 million over the prior period and the Manufacturing segment increasing by $210 million over the prior period.

Adjusted EBITDA of $412 million was generated by the Corporation during the period, an increase of $80 million or 24% over the prior period. The increase was attributable to both segments, as the Aerospace & Aviation segment increased by $57 million over the prior period and the Manufacturing segment increased by $25 million over the prior period. Head Office costs increased $2 million over the prior period primarily due to increased investments in cybersecurity and increased headcount. The Corporation did not receive any government assistance during the period, compared to $11 million received in the prior period. Excluding the impact of subsidies in the prior period, Adjusted EBITDA increased 28% over the prior period.

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

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $116 million to $1,113 million.

Revenue within Essential Air Services increased 21% over the prior period. The prior period, notably the first and second quarters, were significantly impacted by the emergence of the Omicron variant, reducing travel in and out of Northern communities. In the current period, demand for passenger travel has increased to normal volumes resulting in the increase in revenue over the prior period. Investments made to increase our capacity over the last number of years have translated into higher revenues than experienced pre-pandemic. In addition, expanded routes on the East Coast, including the beginning of routes flown on behalf of Air Canada, have increased revenue. Increased charter activity, along with strong rotary wing and medevac operations, positively contributed to the revenue generated in the period. The increase was partially offset by government funding of $11 million that was received in the prior period and included in revenue as no such support was received in the current period.

Revenue within Aircraft Sales & Leasing decreased 15% from the prior period. Revenue from the parts sales and leasing produced solid improvements over the prior period, which were offset by decreased sales in the more variable whole aircraft and engines revenues. In the prior period, the demand for aircraft and engines was well above historical norms resulting in higher revenue than the current period. The sale of aircraft and engines are generally high dollar value and lower margin transactions when compared to leasing or parts revenue. Leasing revenue has continued to increase, showing steady improvements as more assets continue to be deployed. Leasing revenue during the period was $38 million (2022 - $25 million) and Sales and Service revenue was $193 million (2022 - $245 million).

Revenue within Aerospace increased 23% over the prior period. The increase in revenue is driven by additional ISR contracts that have been awarded to the Corporation and started to contribute during the current period, consistent with the three month discussion above.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased $57 million to $306 million for the period.

Adjusted EBITDA within Essential Air Services increased 32% over the prior period. The increase in passenger volumes contributed significantly to the increase in Adjusted EBITDA over the prior period as did improved margins on rotary-wing services. Investments made previously in our fleets of fixed wing and rotary wing aircraft are now producing returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing decreased by 4% from the prior period. Consistent with the three-month section, leasing revenues, which generate higher margins as compared to sales and service revenues, are continuing to increase in line with management's expectations as more assets are being deployed. Lower aircraft and engine sales in the current period decreased Adjusted EBITDA, although the impact of this decline has a lesser impact on Adjusted EBITDA than on revenue.

Adjusted EBITDA within Aerospace increased 35% over the prior period. The impacts on Adjusted EBITDA for the nine month period are consistent with those as described in the three month section above, including the impacts of new contracts, expanded flying with existing assets, and the impact of product mix changes in Aerospace that has seen more owned ISR assets deployed compared to the prior period.

Manufacturing Segment

The Manufacturing segment revenue increased by $210 million or 41% over the prior period to $729 million.

Revenue generated within Environmental Access Solutions increased by 32% over the prior period. Northern Mat was acquired May 10, 2022, resulting in only partial comparatives in the prior period. Forest fires and dry weather conditions tempered the demand for access solutions during the current year, and an industry wide increase in mat supply reduced mat fleet utilization, resulting in softer market conditions than experienced in the prior period.

Revenue generated within Multi-Storey Window Solutions increased 94% over the prior period. The Corporation acquired BVGlazing on May 1, 2023, for which there is no comparative in the prior period, contributing to the increase in revenue. In addition, the business has started to manufacture and install projects where prices reflect rates negotiated after the start of the pandemic and that reflect the higher inflationary pressure created by supply chain issues, higher labour costs, and increased interest costs.

Revenue generated within Precision Manufacturing & Engineering increased 9% over the prior period. The increase is primarily driven by the acquisition of Hansen on April 1, 2023 with no comparative in the prior period. In addition, increased demand in the defence industry and for metal fabrication have contributed to increased revenue over the prior period.

The Manufacturing segment Adjusted EBITDA increased by $25 million or 23% over the prior period to $135 million.

Adjusted EBITDA within Environmental Access Solutions increased 7% over the prior period. The reason for the increase is consistent with the revenue discussion above as Northern Mat was acquired midway through the second quarter of 2022. The second and third quarters of 2022 had the perfect alignment of price, demand, supply and weather that drove results higher than our expectations. In the current period, in contrast, forest fires, a dry summer in 2023, and an industry wide increase in mat supply provided headwinds. Results continue to exceed the economics upon which the deal was priced. In the current period, mat and bridge rentals, which generates higher margins than other revenue streams, made up a smaller portion of revenue than in the prior period. This change in sales mix resulted in revenues increasing at a faster pace than Adjusted EBITDA. This decline was expected as the run rate in the prior period was not sustainable and is consistent with messaging provided at the time.

Adjusted EBITDA within Multi-Storey Window Solutions increased 85% over the prior period due to the acquisition of BVGlazing in 2023 and improved performance of our pre-existing subsidiaries. Improved scheduling, increased throughput in our facilities, and increased pricing on some projects benefitted Adjusted EBITDA, but these efficiencies and price adjustments were offset by increased costs across the operations.

Adjusted EBITDA within the Precision Manufacturing & Engineering increased 28% over the prior period due to increased contributions from the pre-existing subsidiaries and the acquisition of Hansen on April 1, 2023. Sales mix across the business line was skewed towards higher margin products, and investments in prior periods benefitted the business line, both increasing Adjusted EBITDA compared to the prior period.

NET EARNINGS

Nine Months Ended September 30,		2023		2022
Net Earnings	$	93,280	$	82,679
Net Earnings per share	$	2.11	$	2.09

Net Earnings was $93 million, an increase of $11 million or 13% over the prior period. The $80 million increase in Adjusted EBITDA during the current period contributed to the increase in Net Earnings. This increase was partially offset by two main items. Depreciation on capital assets increased by $31 million over the prior period due to assets acquired through the Corporation's acquisitions over the last 12 months, investments made in Growth Capital Expenditures over the same period, and increased flying by the Corporation's airlines. Additionally, interest costs increased over the prior period by $32 million due to increased benchmark borrowing rates and higher levels of debt from the Corporation's acquisition activity and Growth Capital Expenditures. If not for the interest rate swaps the Corporation entered during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher.

Income tax expense decreased by $1 million from the prior period. The Corporation's effective rate declined due to a higher proportion of earnings before tax generated in lower tax rate jurisdictions.

Net Earnings per share increased by 1% over the prior period to $2.11 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 12%, which partially offset the increased Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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,		2023		2022
Net Earnings	$	93,280	$	82,679
Acquisition costs (net of tax $258 and $438)		5,341		5,779
Amortization of intangible assets (net of tax $4,205 and $3,991)		11,662		10,790
Accelerated interest accretion on redeemed debentures (net of tax nil and $599)		-		1,618
Adjusted Net Earnings	$	110,283	$	100,866
per share – Basic	$	2.49	$	2.54
per share – Diluted	$	2.38	$	2.41

Adjusted Net Earnings was $110 million, an increase of $9 million or 9% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $12 million in intangible asset amortization and $5 million in acquisition costs (all net of tax). In the prior period, Adjusted Net Earnings included the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $2 million (net of tax), which did not recur in the current period.

Adjusted Net Earnings per share decreased by 2% to $2.49 from the prior period. The weighted average number of shares increased by 12%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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,		2023		2022
Cash flows from operations		$	183,469	$	165,327
Change in non-cash working capital items			112,500		100,409
Acquisition costs (net of tax $258 and $438)			5,341		5,779
Principal payments on right of use lease liabilities			(26,457)		(22,023)
		$	274,853	$	249,492
per share – Basic		$	6.21	$	6.29
per share – Diluted		$	5.46	$	5.46

The Free Cash Flow generated by the Corporation during the period was $275 million, an increase of $25 million, or 10% over the prior period. The primary reason for this increase is the $80 million increase in Adjusted EBITDA, which was partially offset by increases in current taxes, cash interest and principal payments on right of use lease liabilities. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis decreased 1% from the prior period to $6.21. The weighted average number of shares increased by 12%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further 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

Hansen Industries Ltd.

On April 1, 2023, the Corporation acquired the shares of Hansen, located in Richmond B.C., specializing in custom fabrication of precision metal components and assemblies using automated equipment within its two key divisions: sheet metal, its largest division, and machining. Hansen also has a high-volume metal stamping shop offering a full-service solution to its customers.

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

Consideration given:		
Cash	$	39,469
Issuance of 85,102 shares of the Corporation at $52.29 per share		4,450
Total purchase consideration	$	43,919

BVGlazing Systems Ltd.

On May 1, 2023, the Corporation acquired the shares of BVGlazing. BVGlazing designs, engineers, manufactures, and supplies window, door, and railing systems for mid-rise and high-rise building projects in Canada and the US. BVGlazing manufactures unitized and stick curtain wall systems and railing systems, in addition to window wall glazing systems similar to those produced by EIC's existing subsidiary, Quest. The acquisition is strategic to EIC to allow the collective window operations to offer complete solutions to their customers.

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

Consideration given:		
Cash	**$**	**73,024**
Issuance of 431,598 shares of the Corporation at $53.29 per share		**23,000**
Total purchase consideration	**$**	**96,024**

CAPITAL EXPENDITURES

		Three Months Ended September 30, 2023						
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	**$**	**35,324**	**$**	**7,402**	**$**	**76**	**$**	**42,802**
Growth Capital Expenditures		**66,088**		**15,027**		**-**		**81,115**
	$	**101,412**	**$**	**22,429**	**$**	**76**	**$**	**123,917**

		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

		Nine Months Ended September 30, 2023						
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	**$**	**103,948**	**$**	**18,610**	**$**	**439**	**$**	**122,997**
Growth Capital Expenditures		**172,680**		**28,798**		**-**		**201,478**
	$	**276,628**	**$**	**47,408**	**$**	**439**	**$**	**324,475**

		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

Maintenance Capital Expenditures for the nine month period ended September 30, 2023, increased by $9 million or 8% over the prior period. The increase in the Aerospace & Aviation segment was $5 million and the increase in the Manufacturing segment was $4 million over the prior period. Investment to increase capacity in the Aerospace and Aviation segment and acquisition activity in the Manufacturing segment drove the increases. Maintenance Capital Expenditures for the Corporation's Essential Air Services are generally weighted more towards the first half of the year as heavy checks, overhauls, and engine maintenance events are scheduled at a time when demand is lowest. Maintenance Capital Expenditures for the Manufacturing segment can vary from period to period due to the capital required to maintain production equipment, with the exception of Maintenance Capital Expenditures for the Environmental Access Solutions rental portfolio, which is calculated using depreciation as a proxy.

<u>Aerospace & Aviation Segment</u>

Maintenance Capital Expenditures for Essential Air Services for the three and nine months ended September 30, 2023, were $27 million and $78 million, respectively, an increase of 2% and 8%, respectively, over the prior period. Parts inflation and increased labour rates have resulted in increased Maintenance Capital Expenditures over the prior period. In addition, as the Corporation has invested to meet increased demand over the last number of years, our fleet size has increased, necessitating additional Maintenance Capital Expenditures. Overall, the current Maintenance Capital Expenditures are in line with expectations. Growth Capital Expenditures for the three and nine months ended September 30, 2023, within Essential Air Services, were $56 million and $111 million, respectively. The investment includes the purchase of additional aircraft to expand the fleet including payments for new aircraft for recently announced medevac contracts. Additionally, investments were made for the newly announced Air Canada contract and the construction of a new hangar to support our passenger, charter and cargo growth. Finally, payments were made for the purchase of a King Air simulator.

Maintenance Capital Expenditures for Aerospace for the three and nine months ended September 30, 2023, were $2 million and $10 million, respectively, a decrease of 33% and an increase of 50%, respectively. The decrease over the same quarter in 2022 in Aerospace is due to the timing of events that took place. In the prior period, a larger amount of maintenance events took place later in the year due to the Omicron variant in the first quarter of 2022, whereas in the current period, more maintenance events took place in the first half of the year resulting in a decrease from the prior period. On a year to date basis, an increased number of heavy checks and overhauls to support increased levels of flying and higher overhaul costs experienced by the business due to inflationary pressures and labour costs both drove the increase. Growth Capital Expenditures for the three and nine months ended September 30, 2023 were $5 million and $14 million, respectively, which relates primarily to the preparation of assets for the upgrade of the surveillance aircraft for the renewed and expanded Curaçao contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing for the three and nine months ended September 30, 2023, were $6 million and $16 million, respectively, an increase of 14% and a decrease of 21%, respectively. In the current period, Regional One made investments to prepare certain aircraft and engines within its lease portfolio as it continues to deploy additional assets from its fleet as demand recovers. Growth Capital Expenditures for the three and nine months ended September 30, 2023, were $5 million and $47 million, respectively. Several assets were purchased during the period that have either been placed on lease or will be placed on lease in coming quarters.

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

Regional One Lease Portfolio	**September 30, 2023**		December 31, 2022	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**58 (1)**	**120**	60 (1)	94

Note 1) The aircraft total above includes 9 airframes (December 31, 2022 – 9 airframes) that do not have engines and will be leased out in conjunction with engines owned by Aero Engines LLC, the joint venture between the Corporation and SkyWest.

The lease portfolio for Aircraft Sales & Leasing is comprised of several different types of aircraft and engines. The predominant platforms are the Bombardier CRJ aircraft, Embraer ERJ aircraft and the Dash – 8 Q400 aircraft. The predominant engine platforms are the General Electric CF 34 engine series along with the Pratt & Whitney engines. Earnings on the leasing of aircraft and engines are not derived solely from a financing spread as in the traditional leasing business but rather cash flows are generated from acquiring assets, leasing them out, and once the available green time on the assets is consumed and the aircraft have been retired from the active fleet, the assets are sold or parted out to generate further cash flows. It is important to note that not all the aircraft and engines in the portfolio will be on lease at any given time.

The fleet of aircraft and engines to be leased has been underutilized since the onset of the pandemic and as a result, the available green time on those aircraft is not being consumed at the same rate as in prior periods. While the impacts of the pandemic have lessened, the lease fleet remains underutilized due to a worldwide flight crew shortage, most notably in experienced pilots. The acute shortage of pilots has resulted from a significantly lower number of pilots graduating from flight school due to the impacts the pandemic had on the ability to complete flight training coupled with higher than average pilot retirements during the pandemic. Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. As the fleet remains underutilized, the historical approach continues to not be appropriate. The actual costs of maintaining the fleet were significantly lower than the depreciation expense recorded during the year. Starting in the second quarter of 2020, the actual expenditures on assets already owned have been used as the costs of maintaining the fleet until such time the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. Prior to the onset of the pandemic, Growth Capital Expenditures represented the difference between net capital assets acquired (assets purchased less assets sold or transferred to inventory) and the amount of Maintenance Capital Expenditures, calculated using depreciation as a proxy.

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

Manufacturing Segment

Maintenance Capital Expenditures in the Precision Manufacturing & Engineering and Multi-Storey Window Solutions business lines primarily relate to the replacement of production equipment, or components of that equipment, and can vary significantly from year to year. Certain manufacturing assets have long useful lives and, therefore, can last for many years before requiring replacement or significant repair.

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

For the three and nine months ended September 30, 2023, Precision Manufacturing & Engineering had Maintenance Capital Expenditures of $1 million and $2 million, respectively, which was consistent with the prior period. Growth Capital Expenditures for the three and nine months ended September 30, 2023 were $1 million and $4 million, respectively. The Growth Capital Expenditures were investments in new equipment to enhance our ability to meet increasing customer demand and create efficiencies.

For the three and nine months ended September 30, 2023, Multi-Storey Window Solutions had Maintenance Capital Expenditures of less than $1 million and $1 million, respectively, which was consistent with the prior period. Growth Capital Expenditures for the three and nine months ended September 30, 2023, were $1 million and $1 million, respectively. Investment were made in the quarter in new equipment to expand our capabilities to meet market demand.

For the three and nine months ended September 30, 2023, Maintenance Capital Expenditures for Environmental Access Solutions was $6 million and $15 million, respectively, a decrease of 17% and an increase of 40%, respectively. On a year to date basis, Maintenance Capital Expenditures increased over the prior period as there were no comparative amounts in the first quarter of 2022 or for the first half of the second quarter of 2022. During the third quarter of 2023, lower replacement of its rolling fleet resulted in lower Maintenance Capital Expenditures compared to the third quarter of 2022. For the three and nine months ended September 30, 2023, Growth Capital Expenditures were $13 million and $24 million, respectively. The investments in the third quarter is due to the timing of the build of new mats for the rental fleet.

INVESTMENT IN WORKING CAPITAL

During the nine months ended September 30, 2023, the Corporation invested $113 million into working capital to support several growth initiatives and increased revenues, as discussed further below. As previously disclosed in our year-end report, the investment during the period relates primarily to a decrease in accounts payable, as a material account receivable was collected in the fourth quarter of 2022 where a corresponding $80 million payment to a supplier was not due until January 2023.

During the period, the Corporation continued to invest in the Aircraft Parts & Leasing business making several purchases in the period for assets that will be parted out and sold in future quarters. This includes aircraft from the leasing pool that have been identified for part out in subsequent quarters. This increase in inventory will support future parts sales.

The Corporation made investments in working capital, notably in accounts receivable and inventory, to support its increasing revenues. As several of the Corporation's lines of business experienced their seasonally busier times in the second and third quarters, these further investments were required to support increased revenues. These investments are expected to moderate to more normal levels in the fourth quarter.

Further 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.

4. DIVIDENDS AND PAYOUT RATIOS

The payment of stable and growing dividends to shareholders is a cornerstone goal of the Corporation which is achieved through the consistent execution of our core strategy of diversification, disciplined investment in our subsidiaries, and disciplined acquisition of companies with defensible and steady cash flows.

Dividends

Month	Record date		Per Share		2023 Dividends Amount	Record date		Per Share		2022 Dividends Amount
January	January 31, 2023	$	0.21	$	8,927	January 31, 2022	$	0.19	$	7,366
February	February 28, 2023		0.21		8,933	February 28, 2022		0.19		7,372
March	March 31, 2023		0.21		8,945	March 31, 2022		0.19		7,382
April	April 28, 2023		0.21		8,968	April 29, 2022		0.19		7,387
May	May 31, 2023		0.21		9,067	May 31, 2022		0.20		7,965
June	June 30, 2023		0.21		9,774	June 30, 2022		0.20		7,982
July	July 31, 2023		0.21		9,781	July 29, 2022		0.20		7,990
August	August 31, 2023		0.21		9,789	August 31, 2022		0.21		8,395
September	September 29, 2023		0.21		9,799	September 29, 2022		0.21		8,898
Total		$	1.89	$	83,983		$	1.78	$	70,737

Dividends declared for the nine months ended September 30, 2023, 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 quarter of 2022 as well as the acquisitions of Hansen and BVGlazing in the second quarter of 2023. Second, the completion of the equity offering both in the third quarter of 2022 and second quarter of 2023 increased the number of shares outstanding. Finally, the Corporation increased its dividend twice in the prior period. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

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

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

The Corporation analyzes its payout ratios on a trailing twelve-month basis when assessing its ability to pay and increase dividends. The use of a longer period reduces the impact of seasonality on the analysis. The first quarter of the fiscal year is always the most seasonally challenging for the Corporation. Winter roads into northern communities lessen the demand for the Corporation's Essential Air Services. Environmental Access Solutions is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower, and the first quarter is the slowest. Therefore, a single quarter can be impacted by seasonal variations that do not impact the Corporation's ability to pay dividends over a longer period.

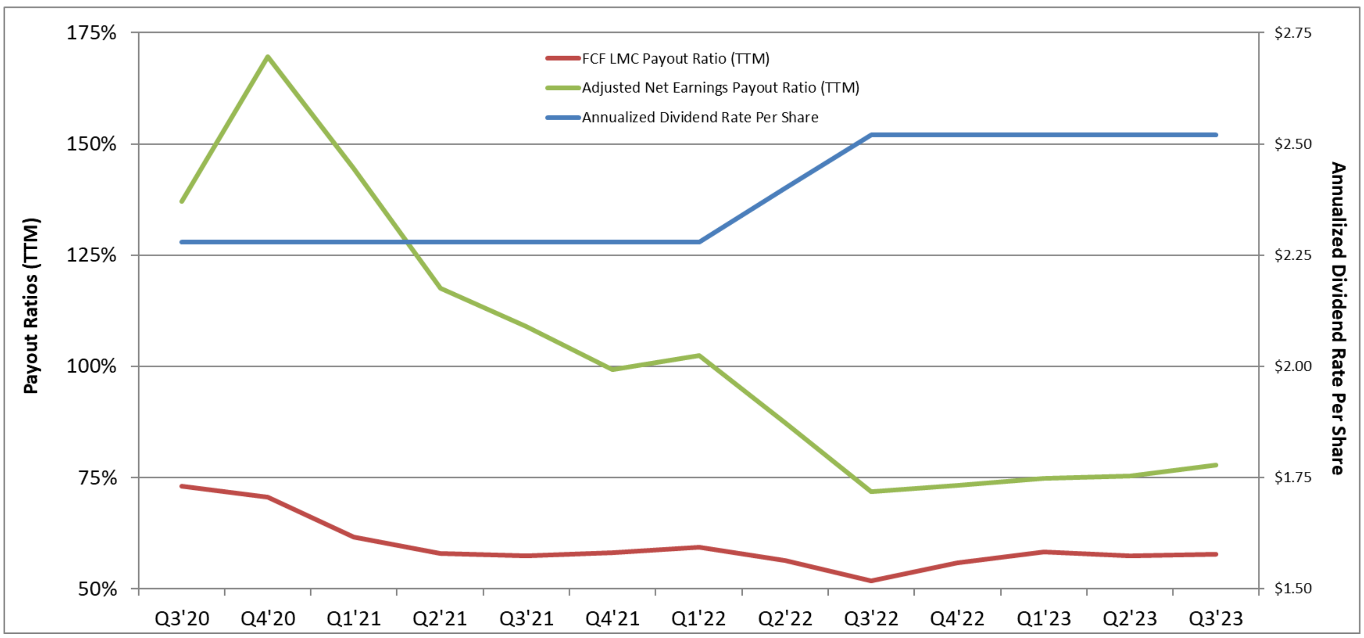
Payout Ratios

Basic per Share Payout Ratios for the Corporation	2023		2022	
Periods Ended September 30	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**53%**	**78%**	46%	72%
Free Cash Flow less Maintenance Capital Expenditures	**39%**	**58%**	36%	52%

The trailing twelve month Adjusted Net Earnings payout ratio was 78% at September 30, 2023 compared to 72% at September 30, 2022, primarily due to increased interest costs reducing net earnings from the prior period. In addition, the trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 58% compared to a record low 52% in the prior period and was also impacted by increased interest rates. Interest costs increased by $43 million over the comparable trailing twelve month period an increase of 69%. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures.

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

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



5. OUTLOOK

The third quarter of 2023 can be characterized as one where the focus was on execution. The second quarter was remarkably busy with acquisitions, contract awards and raising capital. In the third quarter, we focused on executing the fundamental elements of our business plans in what is, operationally, the busiest quarter of the year. By controlling what we can control and abiding by our core principles, we once again achieved record Revenue, Adjusted EBITDA, Net Earnings and Adjusted Net Earnings and set the table for the upcoming quarters.

Management of the Essential Air Services line of business has been laying the groundwork for the implementation of the medevac and air services contracts that were recently awarded. The main focus has been the acquisition of aircraft and development of infrastructure necessary to execute the contracts. Additional aircraft will be acquired in future quarters and modifications will be required to all the aircraft to prepare them for the tasks required. Operationally, passenger volumes have returned to, and exceeded, pre-pandemic levels. The expanded East Coast routes, including those being operated on behalf of Air Canada, have and will continue to have a positive impact on passenger volumes. Medevac and charter revenues are also positioned for growth in 2024 with the new and expanded government contracts and investments made in our fleet and infrastructure. The aviation companies continue to face the same labour recruitment and retention challenges that are affecting airlines around the world, but the mitigation steps we have taken are proving to be effective. Graduates of our Life in Flight program are now making important contributions to our pilot recruitment as the first graduates of the Atik Mason Indigenous Pilot Pathway program will be joining our companies in the first half of the new year.

Operations in the Aerospace line of business are driven by the timing and execution of government contacts. Provincial's 18-month contract to deliver ISR support for the United Kingdom's Home Office became fully operational during the second quarter and the mission has proven to be very successful and will continue into the fourth quarter of next year.

We anticipate that the positive quarter to quarter trends within the Aircraft Sales & Leasing business will continue. Strong and growing demand for engines, parts and whole aircraft will continue to be the driver of this business in the short-term. The leasing business is also improving but has not yet returned to pre-pandemic levels. The factors that influence this part of the business are evolving but at a slower pace. There is still no imminent change in worldwide shortage of experienced pilots or in the way the airlines have reacted to this issue, which is to concentrate their flight activity on larger gauge aircraft at the expense of regional jet service. Leasing revenue is growing at a steady pace and will accelerate once regional jet services resume. In the meantime, we are continuing to strengthen and ready our lease portfolio to capitalize on future demand.

The performance of the Environmental Access Solutions line of business has continued to exceed the operational metrics upon which the acquisition was priced. When we entered into the market last year, a confluence of unique supply and demand factors drove revenues and Adjusted EBITDA to historic and unsustainable levels. The industry has returned to a more normal operating environment and revenues and Adjusted EBITDA are moving in a corresponding direction. We are experiencing a shift in revenue mix at Northern Mat that we anticipate will carry forward into the fourth quarter, with a higher percentage of revenue being generated from mat sales and a lower percentage of revenue coming from leasing, which will negatively impact margins compared to the prior year as rental revenues generate higher margins than mat sales.

Within the Multi-Storey Window Solutions line of business, our positive view of the future is unchanged, based on long-term fundamentals of affordable housing shortages. We anticipate growth in both the top and bottom lines in this business, driven not only by the acquisition of BVGlazing but also by improvements in Quest's operations. Integration activities at Quest and BVGlazing are gaining momentum, as the third quarter was used by management at both companies to gain insight into the others' operations. Project progression on existing manufacturing contracts should remain stable, but the uncertainty regarding interest rates and the macro-economic environment may result in some delays in new project starts. New project enquiry levels are strong in both Canada and the US, and we are providing estimates for a significant number of projects. While economic conditions, particularly concerns about interest rates and inflation, are making it harder to convert these into committed contracts, our backlog remains at historically high levels.

Precision Manufacturing and Engineering will experience growth in the coming quarters primarily from the acquisitions of Hansen Industries in the second quarter and DryAir Manufacturing at the start of the fourth quarter. Stability in costs, supply chain and labour markets are helping to manage costs in these businesses. The higher interest rate environment is impacting some of our businesses that are dependent on their customers' capital spending for a source of their revenue. In particular, telecommunication companies and companies in the agriculture sector have deferred spending on larger projects into the new year. We also anticipate slightly reduced revenues and margins due to a changing mix of projects, but overall operations are in line with expectations.

With three completed acquisitions already this year, our acquisition pipeline continues to be as strong as it has ever been. Our business model continues to resonate with prospective sellers. Consistent with the past, our acquisitions team remains disciplined in the types of businesses that fit within our model and the valuations on those businesses. The higher interest environment has created a leveling off of acquisition prices which, in turn, allows EIC to be more competitive on more transactions, particularly larger transactions. With capital on hand from the equity raise in the second quarter, EIC will continue to be active in the acquisition market.

The acquisition of DryAir early in the fourth quarter will have a positive, accretive impact on the Company's future results. Its impact in 2023 will be minimal however as it will only contribute to our results for less than one full quarter. Our Adjusted EBITDA for 2023 is trending towards the middle of our previously announced guidance range of between $540 million and $570 million. With all the acquisitions, contract awards and growth investments made within the last twelve months, we have been cautious about setting expectations for 2024. As we near the end of 2023, we have been able to take stock of all the activity and we are confident in stating we anticipate our Adjusted EBITDA for 2024 will be between $600 million and $635 million. The new contracts will drive further growth in 2025.

Since our inception, we have consistently shared our growth and financial success with our shareholders. With 16 dividend increases over 19 years and a CAGR of 5% on our annualized dividend, our track record speaks for itself. The corporation is pleased to be able to announce our 17th dividend increase as we head into our 20th year of operations. Beginning with the November dividend, which will be paid in December, the annual dividend will increase to $2.64 per year, or $0.22 per month.

Capital Expenditures

Maintenance Capital Expenditures are undertaken to maintain the earning power of our subsidiaries. Approximately 85% to 90% of our Maintenance Capital Expenditures are related to the Aerospace & Aviation segment and these expenditures are primarily driven by required, scheduled service based on flight hours. Our flight hours have increased because of our increased scope of operations and the larger fleet size. In turn, Maintenance Capital Expenditures have also correspondingly increased. We expect that this trend will continue as flight hours steadily climb to support the increased passenger volumes, routes and the expanded medevac operations. Inflation, cost escalation related to labour shortages and supply chain congestion are additional factors that impact Maintenance Capital Expenditures. Maintenance Capital Expenditures in the Aircraft Sales & Leasing business will move in conjunction with the increase in the cadence of business operations.

In the Manufacturing segment, the additions of BVGlazing, Hansen Industries and DryAir will increase Maintenance Capital Expenditures relative to the prior year. Growth Capital Expenditures are not expected to be material over the next several quarters. Northern Mat will be right-sizing its portfolio of mats, which could result in negative Growth Capital Expenditures in the near term.

In the Aerospace & Aviation segment, preparation for the two medevac contracts and the PAL Aviation agreement with Air Canada will drive Growth Capital Expenditures. Most of the aircraft have been acquired for the Keewatin contract in Manitoba, but modifications to the aircraft are still required. The acquisition of aircraft for Carson Air's B.C. medevac contract is just beginning, so substantial Growth Capital Expenditures are anticipated over approximately the next 18 months. These investments are substantial but will generate returns for more than a decade due to the long-term nature of these awards. We will begin to generate new revenues under the B.C. contract in late 2023, utilizing temporary aircraft while the new aircraft are delivered from the manufacturer and are modified into medical configurations. This process should be complete in 2025. As a result of the award of the B.C. medevac contract to Carson, EIC will become one of the largest operators of King Airs in the world, making it feasible for us to invest in our own simulator for training purposes. The simulator not only provides more training time for pilots but also significantly reduces fuel burn and corresponding GHG emissions. The overall cost of this investment is anticipated to be approximately $20 million and we hope to have the simulator online in approximately 18 months.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong. The Corporation completed several capital transactions in 2022 and 2023, strengthening its balance sheet as the Corporation prepares for future growth. During the second quarter of 2023, the Corporation completed both an upsize and extension of its credit facility and a bought deal common share offering, which was upsized from the initial announcement and the underwriters exercised the overallotment option on top of the upsize. These transactions increased the Corporation's access to capital to make acquisitions, to invest in its operating subsidiaries, and provide the ability to weather economic downturns. In addition, the structured timing of debt maturities provides additional financial flexibility while giving the Corporation the capital to invest for future growth. The Corporation does not have any debt maturities until June 30, 2025.

As at September 30, 2023, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current leverage ratio is 2.45x. This is in line with historical norms as the Corporation's subsidiaries continue their returns to post-pandemic operations and deliver results based on previous investments. Consistent with EIC's historical balance sheet management, the Corporation has been proactive in managing its liquidity such that should an opportunity present itself, EIC has the capability and financial resources to execute.

As at September 30, 2023, the Corporation has liquidity of approximately $1.1 billion 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, 2023, the Corporation had a cash position of $64 million (December 31, 2022 - $140 million) and a net working capital position of $557 million (December 31, 2022 - $465 million) which represents a current ratio of 1.94 to 1 (December 31, 2022 – 1.80 to 1). The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

		September 30 2023		December 31 2022
Total senior debt outstanding (principal value)	$	1,338,241	$	1,218,326
Convertible debentures outstanding (par value)		424,527		425,500
Common shares		1,231,886		1,019,772
Total capital	$	2,994,654	$	2,663,598

Credit facility

The size of the Corporation's credit facility as at September 30, 2023, is approximately $2 billion, with $1.675 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of September 30, 2023, the Corporation had drawn $540 million and US $590 million (December 31, 2022 - $201 million and US $751 million).

On May 9, 2023, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2 billion from approximately $1.75 billion and extended its terms to May 9, 2027. The increased size of the facility provides the Corporation with 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 $194 million since December 31, 2022. The increase is attributable to the acquisitions of Hansen and BVGlazing, investments in Growth Capital Expenditures, and investment in working capital, as discussed in Section 3 – Investing Activities. These investments were mostly offset by the proceeds from the Corporation's bought deal equity offering, as described further below.

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, 2023, US $263 million (December 31, 2022 – US $427 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the first quarter of 2023, the Corporation continued the use of interest rate swaps with certain members of its syndicate whereby the Corporation entered into a new interest rate swap that fixed $350 million of its credit facility variable rate debt for a period of three years at a rate that is lower than the floating rate. In addition, during the second quarter, the Corporation entered a new interest rate swap that fixed US$140 million of its credit facility variable rate debt for a period of three years at a rate that is lower than the floating rate. The effect of these transactions combined with other swap transactions already in place results in approximately $725 million of the Corporation's credit facility debt being subject to a fixed rate with varying maturity dates.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at September 30, 2023, and changes in the amounts of convertible debentures outstanding during the nine months ended September 30, 2023:

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

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures – June 2018	80,500	-	(798)	-	79,702
Unsecured Debentures – March 2019	86,250	-	(157)	-	86,093
Unsecured Debentures – July 2021	143,750	-	(18)	-	143,732
Unsecured Debentures – December 2021	115,000	-	-	-	115,000
Total	$ 425,500	$ -	$ (973)	$ -	$ 424,527

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the nine months ended September 30, 2023:

	Date issued	Number of shares
Shares outstanding, beginning of period		42,479,063
Issued upon conversion of convertible debentures	various	19,828
Issued under dividend reinvestment plan (DRIP)	various	277,170
Issued under employee share purchase plan	various	47,151
Issued under deferred share plan	various	16,423
Issued to Hansen Industries vendors on closing	April 1, 2023	85,102
Issued to BVGlazing Systems vendors on closing	May 1, 2023	431,598
Prospectus offering, including over-allotment	June 14, 2023	3,306,250
Shares outstanding, end of period		46,662,585

On June 14, 2023, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in 3,306,250 shares of the Corporation at $52.25 per share, for gross proceeds of approximately $173 million.

The Corporation issued 277,170 shares under its dividend reinvestment plan during the period and received $14 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 47,151 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 vendors of BVGlazing and Hansen as part of the consideration paid on completion of the acquisitions. In total, 516,700 shares were issued, representing purchase price consideration of $27 million.

The weighted average shares outstanding during the three and nine months ended September 30, 2023, increased by 14% and 12%, respectively compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's equity offerings in the third quarter of 2022 and the second quarter of 2023, the Corporation's dividend reinvestment plan, and shares issued as part of the acquisitions of BVGlazing and Hansen in the second quarter of 2023 and Northern Mat in the second quarter of 2022.

Normal Course Issuer Bid

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

The Corporation can purchase a maximum of $8,038 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC; and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, with daily purchases of principal amount, other than block purchase exceptions, limited to$33, $33, $25, and $24, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

During the nine months ended September 30, 2023, the Corporation did not make any purchases under either NCIB and therefore still has the full amounts detailed above available for repurchase.

7. RELATED PARTY TRANSACTIONS

The nature of related party transactions that the Corporation entered during the nine months ended September 30, 2023, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2022.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the MD&A of the Corporation for the year ended December 31, 2022, except as noted below.

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

9. ACCOUNTING POLICIES

The accounting policies of the Corporation used in the determination of the results for the interim condensed consolidated financial statements for the three and nine months ended September 30, 2023, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2022 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three and nine months ended September 30, 2023.

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Corporation recognizes that all systems of internal controls, no matter how well designed, have inherent limitations. As such, the Corporation's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

An assessment of internal controls over financial reporting was conducted by the Corporation's management, under supervision by the Chief Executive Officer and Chief Financial Officer. Management has used the 2013 Internal Control – Integrated Framework to evaluate the Corporation's internal controls over financial reporting, which is recognized as a suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has evaluated the design of the Corporation's internal controls over financial reporting as at September 30, 2023, and has concluded that the design of internal controls over financial reporting is effective.

Hansen was acquired on April 1, 2023 and BVGlazing was acquired on May 1, 2023. 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 $99 million included in the consolidated results of the Corporation for the first nine months of 2023. As at September 30, 2023, these entities had current assets of $114 million, non-current assets of $119 million, current liabilities of $56 million, and non-current liabilities of $31 million.

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

On October 5, 2023, subsequent to the end of the third quarter, the Corporation acquired DryAir Manufacturing Corp. As of the date of this MD&A, management has not completed its review of internal controls over financial reporting for this newly acquired subsidiary nor determined its potential impact, if any, on the Corporation's internal controls over financial reporting. An assessment of its impact will be completed for year-end 2023.

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, 2023.

11. RISK FACTORS

The Corporation and its subsidiaries are subject to several business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entities. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's MD&A for the year ended December 31, 2022, except as noted below to supplement the following existing risks.

Environmental, Social and Governance

On June 26, 2023, the International Sustainability Standards Board (ISSB) published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures.' IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. While both IFRS S1 and S2 have not been adopted by Canadian standard setters as of today's date, if adoption of these standards were to occur as presented by the ISSB, it may have an immediate impact to current processes and strategies that could impact the Corporation's business and results from operations and financial condition.

Laws, Regulations, and Standards

On May 3, 2023, the Canadian Parliament passed Bill S-211 or *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, to protect vulnerable populations from human rights abuses and exploitation. The bill will impose strict reporting requirements on Canadian businesses with first reports required to be filed on or before May 31, 2024. Bill S-211 may have an impact on the way the Corporation contracts within its supply chains and therefore may affect aspects of production, sales, or importing of goods produced outside of Canada into the country. If violations of this law were to occur, they could subject the Corporation and/or its Subsidiaries to fines, reduced access to future contracts, as well as increased compliance costs, any of which could have an effect on the Corporation's reputation, business and results from operations and financial condition.

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.

<u>Adjusted EBITDA</u>: 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.

<u>Adjusted Net Earnings</u>: is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration, accelerated interest accretion on convertible debentures, and non-recurring items. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less Maintenance Capital Expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders. The most comparable IFRS measure is Net Earnings. Interest accretion on contingent consideration is recorded in the period subsequent to an acquisition after the expected payment to the vendors is discounted.

The value recorded on acquisition is accreted to the expected payment over the earn out period. Accelerated interest accretion on convertible debentures reflects the additional interest accretion recorded in a period that, but for the action to early redeem the debenture series, would have been recorded over the remaining term to maturity. This interest reflects the difference in the book value of the convertible debentures and the par value outstanding.

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

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

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

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

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

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

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

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

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

Regional One's purchases of operating aircraft and engines within its lease portfolio are capital expenditures and, prior to the onset of COVID-19, the process used to classify those expenditures as either growth or maintenance was based on the depreciation of that portfolio. Aircraft that are leased to third parties are being consumed over time, therefore reinvestment is necessary to maintain the ability to generate future cash flows at existing levels. This depletion of the remaining green time of these aircraft was historically represented by depreciation. Only net capital expenditures more than depreciation were classified as Growth Capital Expenditures. If there were no purchases of capital assets during the period by Regional One, Maintenance Capital Expenditures would still be equal to depreciation recorded on its leased assets and Growth Capital Expenditures would be negative, representing the depletion of potential future earnings and cash flows. The aggregate of Maintenance and Growth Capital Expenditures always equals the actual cash spent on capital assets during the period. This ensures that the payout ratio reflects the necessary replacement of Regional One's leased assets.

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

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

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

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

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

			2023				2022		2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 687,673**	**$ 627,222**	**$ 526,884**	$ 543,360	$ 586,770	$ 529,017	$ 400,226	$ 390,327	$ 400,003
Adjusted EBITDA	**167,751**	**147,036**	**97,117**	124,052	150,379	115,055	66,956	89,421	95,276
Net Earnings	**49,523**	**36,896**	**6,861**	26,990	48,936	29,990	3,753	23,056	21,899
Basic	**1.06**	**0.85**	**0.16**	0.64	1.20	0.76	0.10	0.61	0.58
Diluted	**0.99**	**0.80**	**0.16**	0.62	1.09	0.73	0.09	0.59	0.56
Adjusted Net Earnings	**55,263**	**43,480**	**11,540**	32,049	54,530	38,501	7,835	28,027	27,653
Basic	**1.19**	**1.00**	**0.27**	0.76	1.34	0.98	0.20	0.74	0.73
Diluted	**1.09**	**0.93**	**0.27**	0.73	1.20	0.90	0.20	0.71	0.71
Free Cash Flow ("FCF")	**117,143**	**98,002**	**59,708**	82,533	112,832	89,251	47,409	71,592	72,798
Basic	**2.51**	**2.25**	**1.40**	1.95	2.77	2.26	1.22	1.88	1.91
Diluted	**2.20**	**1.96**	**1.26**	1.71	2.38	1.95	1.10	1.62	1.69
FCF less Maintenance Capital Expenditures	**74,341**	**58,592**	**18,923**	40,243	69,009	47,356	19,496	42,906	48,151
Basic	**1.60**	**1.34**	**0.44**	0.95	1.70	1.20	0.50	1.13	1.27
Diluted	**1.43**	**1.21**	**0.44**	0.88	1.49	1.09	0.49	1.02	1.17
Maintenance Capital Expenditures	**42,802**	**39,410**	**40,785**	42,290	43,823	41,895	27,913	28,686	24,647
Growth Capital Expenditures	**81,115**	**85,952**	**34,411**	48,885	27,055	41,308	8,168	34,497	39,942

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 2023**		December 31 2022
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**64,193**	$	139,896
Accounts receivable		**568,488**		434,956
Amounts due from customers on construction contracts		**56,301**		33,212
Inventories		**383,370**		335,060
Prepaid expenses and deposits		**79,361**		102,808
		1,151,713		1,045,932
OTHER ASSETS (Note 7)		**149,232**		134,461
CAPITAL ASSETS		**1,477,887**		1,284,409
RIGHT OF USE ASSETS		**174,215**		157,319
INTANGIBLE ASSETS		**290,289**		300,374
GOODWILL		**702,305**		626,341
	$	**3,945,641**	$	3,548,836
LIABILITIES				
CURRENT				
Accounts payable and accrued expenses	**$**	**427,259**	$	451,906
Income taxes payable		**12,773**		6,888
Deferred revenue		**73,381**		60,467
Amounts due to customers on construction contracts		**46,702**		30,111
Current portion of right of use lease liability		**34,995**		31,079
		595,110		580,451
DEFERRED REVENUE		**-**		534
OTHER LONG-TERM LIABILITIES		**21,443**		23,635
LONG-TERM DEBT (Note 8)		**1,333,502**		1,214,764
CONVERTIBLE DEBENTURES (Note 9)		**402,442**		399,443
LONG-TERM RIGHT OF USE LEASE LIABILITY		**148,408**		133,181
DEFERRED INCOME TAX LIABILITY		**195,809**		177,774
		2,696,714		2,529,782
EQUITY				
SHARE CAPITAL (Note 10)		**1,231,886**		1,019,772
CONVERTIBLE DEBENTURES - Equity Component (Note 9)		**13,980**		14,017
CONTRIBUTED SURPLUS		**16,635**		16,635
DEFERRED SHARE PLAN		**16,357**		15,791
RETAINED EARNINGS				
Cumulative Earnings		**771,161**		677,881
Cumulative Dividends		**(843,775)**		(759,792)
Cumulative impact of share cancellation under the NCIB		**(26,122)**		(26,122)
		1,180,122		958,182
ACCUMULATED OTHER COMPREHENSIVE INCOME		**68,805**		60,872
		1,248,927		1,019,054
	$	**3,945,641**	$	3,548,836

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited, in thousands of Canadian dollars, except for per share amounts)

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2023**	2022	**2023**	2022
REVENUE				
Aerospace & Aviation	**$ 414,693**	$ 363,412	**$ 1,112,983**	$ 997,358
Manufacturing	**272,980**	223,358	**728,756**	518,655
	687,673	586,770	**1,841,739**	1,516,013
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**251,076**	221,776	**688,213**	640,085
Manufacturing expenses - excluding depreciation and amortization	**192,594**	141,837	**522,776**	356,068
General and administrative	**76,252**	72,778	**218,846**	187,470
	519,922	436,391	**1,429,835**	1,183,623
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**167,751**	150,379	**411,904**	332,390
Depreciation of capital assets	**54,106**	44,686	**151,646**	121,053
Amortization of intangible assets	**5,638**	6,164	**15,867**	14,781
Finance costs - interest	**29,262**	21,069	**83,139**	51,132
Depreciation of right of use assets	**10,561**	8,024	**27,267**	21,971
Interest expense on right of use lease liabilities	**2,077**	1,419	**5,406**	3,106
Acquisition costs	**1,631**	1,313	**5,599**	6,217
Other (Note 5)	**-**	-	**(951)**	-
EARNINGS BEFORE INCOME TAXES	**64,476**	67,704	**123,931**	114,130
INCOME TAX EXPENSE				
Current	**10,902**	8,142	**23,801**	12,887
Deferred	**4,051**	10,626	**6,850**	18,564
	14,953	18,768	**30,651**	31,451
NET EARNINGS	**$ 49,523**	$ 48,936	**$ 93,280**	$ 82,679
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 1.06**	$ 1.20	**$ 2.11**	$ 2.09
Diluted	**$ 0.99**	$ 1.09	**$ 2.04**	$ 2.02

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	**2023**	2022	**2023**	2022
NET EARNINGS	**$ 49,523**	$ 48,936	**$ 93,280**	$ 82,679
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 nil, respectively, and net of tax expense for the nine months ended September 30 of nil and nil, respectively	**14,803**	42,736	**(1,157)**	53,427
Net gain (loss) on hedge of net investment in foreign operations net of tax expense for the three months ended September 30 of nil and nil, respectively and net of tax expense for the nine months ended September 30 of nil and nil, respectively	**(4,179)**	(12,267)	**280**	(15,342)
Net gain (loss) on hedge of restricted share plan, net of tax recovery for the three months ended September 30 of ($638) and ($49), respectively and net of tax expense (recovery) for the nine months ended September 30 of ($849) and $23, respectively	**(1,771)**	(134)	**(2,358)**	62
Net gain on interest rate swap, net of tax expense for the three months ended September 30 of $611 and $411, respectively and net of tax expense for the nine months ended September 30 of $4,007 and $2,240, respectively	**1,749**	1,110	**11,168**	6,056
	10,602	31,445	**7,933**	44,203
COMPREHENSIVE INCOME	**$ 60,125**	$ 80,381	**$ 101,213**	$ 126,882

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, 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	110,976	-	-	-	-	-	-	-	110,976
Convertible debentures									
Converted into shares	7	(1)	-	-	-	-	-	-	6
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	-
Shares issued under dividend reinvestment plan	11,046	-	-	-	-	-	-	-	11,046
Deferred share plan vesting (Note 14)	-	-	-	832	-	-	-	-	832
Deferred share plan issuance	1,336	-	-	(1,336)	-	-	-	-	-
Shares issued under ESPP	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**
Balance, January 1, 2023	$ 1,019,772	$ 14,017	$ 16,635	$ 15,791	$ 677,881	$ (759,792)	$ (26,122)	$ 60,872	**$ 1,019,054**
Shares issued to acquisition vendors	27,388	-	-	-	-	-	-	-	**27,388**
Prospectus offering	167,067	-	-	-	-	-	-	-	**167,067**
Convertible debentures (Note 9)									
Converted into shares	975	(37)	-	-	-	-	-	-	**938**
Shares issued under dividend reinvestment plan (Note 10)	13,803	-	-	-	-	-	-	-	**13,803**
Deferred share plan vesting (Note 14)	-	-	-	1,104	-	-	-	-	**1,104**
Deferred share plan issuance	538	-	-	(538)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	2,343	-	-	-	-	-	-	-	**2,343**
Comprehensive income	-	-	-	-	93,280	-	-	7,933	**101,213**
Dividends declared (Note 11)	-	-	-	-	-	(83,983)	-	-	**(83,983)**
Balance, September 30, 2023	**$ 1,231,886**	**$ 13,980**	**$ 16,635**	**$ 16,357**	**$ 771,161**	**$ (843,775)**	**$ (26,122)**	**$ 68,805**	**$ 1,248,927**

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	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES				
Net earnings for the period	**$ 49,523**	$ 48,936	**$ 93,280**	$ 82,679
Items not affecting cash:				
Depreciation of capital assets	**54,106**	44,686	**151,646**	121,053
Amortization of intangible assets	**5,638**	6,164	**15,867**	14,781
Depreciation of right of use assets	**10,561**	8,024	**27,267**	21,971
Accretion of interest	**1,800**	1,675	**5,242**	7,142
Gain on disposal of capital assets	**(1,458)**	(725)	**(4,336)**	(1,286)
Deferred income tax expense	**4,051**	10,626	**6,850**	18,564
Deferred share program share-based vesting	**398**	226	**1,104**	832
Other	**-**	-	**(951)**	-
	124,619	119,612	**295,969**	265,736
Changes in non-cash current and long-term working capital (Note 16)	**(7,362)**	(14,620)	**(112,500)**	(100,409)
	117,257	104,992	**183,469**	165,327
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**99,019**	88,697	**368,425**	625,642
Repayment of long-term debt (Note 8)	**(45,545)**	(140,000)	**(252,482)**	(152,073)
Long-term debt discount	**87**	219	**(1,157)**	(312)
Payment of matured debentures	**-**	-	**-**	(99,992)
Principal payments on right of use lease liabilities	**(9,072)**	(7,874)	**(26,457)**	(22,023)
Issuance of shares, net of issuance costs	**5,686**	113,683	**181,109**	122,311
Cash dividends (Note 11)	**(29,369)**	(25,283)	**(83,983)**	(70,737)
	20,806	29,442	**185,455**	402,816
INVESTING ACTIVITIES				
Purchase of capital assets	**(133,451)**	(89,390)	**(347,032)**	(261,555)
Proceeds from disposal of capital assets	**10,073**	23,810	**24,689**	77,730
Purchase of intangible assets	**(539)**	(5,298)	**(2,132)**	(6,337)
Investment in other assets	**(2,879)**	(27,901)	**(4,084)**	(45,247)
Cash outflow for acquisitions, net of cash acquired	**-**	-	**(112,101)**	(312,837)
Payment of contingent acquisition consideration and prior period working capital settlements	**-**	-	**(3,749)**	(598)
	(126,796)	(98,779)	**(444,409)**	(548,844)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**11,267**	35,655	**(75,485)**	19,299
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**50,558**	60,270	**139,896**	75,408
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,368**	1,472	**(218)**	2,690
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 64,193**	$ 97,397	**$ 64,193**	$ 97,397
Supplementary cash flow information				
Interest paid	**$ 27,719**	20,184	**82,717**	41,744
Income taxes paid	**$ 263**	2,947	**14,742**	20,882

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, 2023, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd., Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, Northern Mat & Bridge LP ("Northern Mat"), Hansen Industries Ltd. ("Hansen"), and BVGlazing Systems Ltd. ("BVGlazing"). 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.

2. BASIS OF PREPARATION

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

In accordance with IFRS, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2022. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on November 9, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements. Note 3 of the Corporation's 2022 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

6. ACQUISITIONS

Hansen Industries Ltd.

On April 1, 2023, the Corporation acquired the shares of Hansen. Hansen, located in Richmond, B.C, provides custom fabrication of precision metal components and assemblies using automated equipment.

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

Consideration given:		
Cash	$	39,469
Issuance of 85,102 shares of the Corporation at $52.29 per share		4,450
Total purchase consideration	**$**	**43,919**

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 is expected to be finalized in 2023 when the final settlement of working capital and other post closing adjustments occur. The purchase included net working capital of $4.6 million, capital assets of $3.2 million, and goodwill of $36.2 million.

BVGlazing Systems Ltd.

On May 1, 2023, the Corporation acquired the shares of BVGlazing. BVGlazing, headquartered in Concord, Ontario, designs, engineers, manufactures, and supplies window, door, and railing systems for mid-rise and high-rise building projects in Canada and the US. BVGlazing manufactures unitized and stick curtain wall systems, railing systems, and window wall glazing systems.

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

Consideration given:		
Cash	$	73,024
Issuance of 431,598 shares of the Corporation at $53.29 per share		23,000
Total purchase consideration	**$**	**96,024**

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 is expected to be finalized in 2023 when the final settlement of working capital and other post closing adjustments occur. The purchase included net working capital of $47.9 million, capital assets of $14.3 million, and goodwill of $40.0 million.

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7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		September 30 2023		December 31 2022
Long-term prepaid expenses and security deposits	$	2,626	$	3,553
Long-term receivables		-		9,996
Long-term holdback receivables		18		137
Equity method investments		116,115		102,163
Other investments - Fair value through OCI (Note 15)		7,625		6,917
Derivative financial instruments - Fair value through profit and loss (Note 15)		22,848		11,695
Total other assets	$	149,232	$	134,461

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at September 30, 2023, and December 31, 2022:

		September 30 2023		December 31 2022
Revolving term facility:				
Canadian dollar amounts drawn	$	540,000	$	201,000
United States dollar amounts drawn (US$590,415 and US$751,127 respectively)		798,241		1,017,326
Total credit facility debt outstanding, principal value		1,338,241		1,218,326
less: unamortized transaction costs		(3,065)		(3,045)
less: unamortized discount on outstanding Banker's Acceptances		(1,674)		(517)
Long-term debt	$	1,333,502	$	1,214,764

The Corporation's credit facility is secured by a general security agreement over the assets of the Corporation, subject to customary terms, conditions, covenants, and other provisions, and includes both financial and negative covenants. The Corporation is in compliance with all financial and negative covenants as at September 30, 2023.

Interest expense recorded by the Corporation during the three and nine months ended September 30, 2023 for long-term debt was $22,196 and $62,097 respectively (2022 – $14,133 and $27,452 respectively).

On May 9, 2023, the Corporation completed an upsize and extension of its credit facility. The Corporation increased its credit facility to approximately $2 billion and extended its term to May 9, 2027.

Credit Facility

The following is the continuity of long-term debt for the nine months ended September 30, 2023:

	Nine Months Ended September 30, 2023									
		Opening		Withdrawals		Repayments		Exchange Differences		Ending
Credit facility amounts drawn										
Canadian dollar amounts	$	201,000	$	618,100	$	(279,100)	$	-	$	540,000
United States dollar amounts		1,017,326		349,762		(571,482)		2,635		798,241
	$	1,218,326							$	1,338,241

In the table above, withdrawals and repayments include the impact of entering into or changing the principal value on already outstanding cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 15.

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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:

	2023 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2023 Balance, End of Period
Unsecured Debentures - 2018	$ 78,215	$ -	$ 643	$ (778)	$ -	$ 78,080
Unsecured Debentures - 2019	84,384	-	395	(154)	-	84,625
Unsecured Debentures - July 2021	138,699	-	581	(17)	-	139,263
Unsecured Debentures - December 2021	110,683	-	451	-	-	111,134
						413,102
less: unamortized transaction costs						(10,660)
Convertible Debentures - Debt Component, end of period						$ 402,442

During the nine months ended September 30, 2023, convertible debentures totaling a face value of $973 were converted by the holders at various times into 19,828 shares of the Corporation (2022 – $8 and 155 shares).

Interest expense recorded during the three and nine months ended September 30, 2023, for the convertible debentures was $7,067 and $21,042 respectively (2022 – $6,936 and $23,680 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 2023	December 31 2022
Unsecured Debentures - 2018	3,835	3,866
Unsecured Debentures - 2019	2,492	2,497
Unsecured Debentures - July 2021	4,240	4,241
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 13,980	$ 14,017

All convertible debentures outstanding at September 30, 2023, represent direct unsecured debt obligations of the Corporation.

On March 10, 2023, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $8,038 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at February 28, 2023. Purchases of

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Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 15, 2023 and ending on March 14, 2024. Daily purchases will be limited to $33 principal amount of Debentures (June 2018), $33 principal amount of Debentures (March 2019), $25 principal amount of Debentures (July 2021) and $24 principal amount of Debentures (December 2021), other than block purchase exemptions.

During the nine months ended September 30, 2023, 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, 2023, are as follows:

	Number of Shares	2023 Amount
Share capital, beginning of period	42,479,063	$ 1,019,772
Issued upon conversion of convertible debentures	19,828	975
Issued under dividend reinvestment plan	277,170	13,803
Issued under employee share purchase plan	47,151	2,343
Issued under deferred share plan	16,423	538
Shares issued to Hansen Industries Ltd. vendors on closing (Note 6)	85,102	4,436
Shares issued to BVGlazing Systems Inc. vendors on closing (Note 6)	431,598	22,952
Prospectus offering, including over-allotment	3,306,250	167,067
Share capital, end of period	46,662,585	$ 1,231,886

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

During the nine months ended September 30, 2023, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,958,307 shares available for repurchase.

On April 1, 2023, the Corporation issued 85,102 shares as purchase consideration for the acquisition of Hansen (Note 6). On May 1, 2023, the Corporation issued 431,598 shares as purchase consideration for the acquisition of BVGlazing (Note 6).

On June 14, 2023, the Corporation completed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 3,306,250 shares of the Corporation at $52.25 per share, for gross proceeds of approximately $172,752.

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

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.

The amounts and record dates of the dividends during the nine months ended September 30, 2023, and the comparative 2022 period are as follows:

Month	Record date	Per Share	2023 Dividends Amount	Record date	Per Share	2022 Dividends Amount
January	January 31, 2023	$ 0.21	$ 8,927	January 31, 2022	$ 0.19	$ 7,366
February	February 28, 2023	0.21	8,933	February 28, 2022	0.19	7,372
March	March 31, 2023	0.21	8,945	March 31, 2022	0.19	7,382
April	April 28, 2023	0.21	8,968	April 29, 2022	0.19	7,387
May	May 31, 2023	0.21	9,067	May 31, 2022	0.20	7,965
June	June 30, 2023	0.21	9,774	June 30, 2022	0.20	7,982
July	July 31, 2023	0.21	9,781	July 29, 2022	0.20	7,990
August	August 31, 2023	0.21	9,789	August 31, 2022	0.21	8,395
September	September 29, 2023	0.21	9,799	September 29, 2022	0.21	8,898
Total		**$ 1.89**	**$ 83,983**		$ 1.78	$ 70,737

After September 30, 2023, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.21 per share for October 2023.

Subsequent to the end of the period, on November 9, 2023, the Corporation increased its dividend to $0.22 per month, a 5% increase. The increase is effective for the November dividend, which will be paid to shareholders in December.

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

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

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

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

				Three Months Ended September 30, 2023
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 414,693	$ 272,980	$ -	$ 687,673
Expenses	290,627	219,006	10,289	519,922
Adjusted EBITDA	124,066	53,974	(10,289)	167,751
Depreciation of capital assets				54,106
Amortization of intangible assets				5,638
Finance costs - interest				29,262
Depreciation of right of use assets				10,561
Interest expense on right of use lease liabilities				2,077
Acquisition costs				1,631
Earnings before income taxes				64,476
Current income tax expense				10,902
Deferred income tax expense				4,051
Net Earnings				$ 49,523

				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

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)

				Nine Months Ended September 30, 2023
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 1,112,983	$ 728,756	$ -	$ 1,841,739
Expenses	807,419	593,597	28,819	1,429,835
Adjusted EBITDA	305,564	135,159	(28,819)	411,904
Depreciation of capital assets				151,646
Amortization of intangible assets				15,867
Finance costs - interest				83,139
Depreciation of right of use assets				27,267
Interest expense on right of use lease liabilities				5,406
Acquisition costs				5,599
Other (Note 5)				(951)
Earnings before income taxes				123,931
Current income tax expense				23,801
Deferred income tax expense				6,850
Net Earnings				$ 93,280

				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

				For the period September 30, 2023
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 2,369,716	$ 1,342,706	$ 233,219	$ 3,945,641
Net capital asset additions	274,887	47,017	439	322,343

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

Note 1) Includes corporate assets not directly attributable to operating segments. Such unallocated assets include corporate cash that is part of the Corporation's mirror banking arrangements.

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

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	**2023**	2022	**2023**	2022
Aerospace & Aviation Segment				
Sale and lease of goods - point in time	**$ 110,185**	$ 90,921	**$ 262,019**	$ 262,240
Sale of services - point in time	**257,316**	226,591	**708,963**	621,364
Sale of services - over time	**47,192**	45,900	**142,001**	113,754
Manufacturing Segment				
Sale and lease of goods - point in time	**65,428**	83,061	**193,725**	160,322
Sale of services - point in time	**27,096**	32,426	**73,828**	50,647
Sale of goods and services - over time	**180,456**	107,871	**461,203**	307,686
Total revenue	**$ 687,673**	$ 586,770	**$ 1,841,739**	$ 1,516,013

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, 2023, and the comparative for the 2022 period are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2023**	2022	**2023**	2022
Net earnings	**$ 49,523**	$ 48,936	**$ 93,280**	$ 82,679
Effect of dilutive securities				
Convertible debenture interest	**5,194**	5,064	**11,520**	11,356
Diluted Net Earnings	**$ 54,717**	$ 54,000	**$ 104,800**	$ 94,035
Basic weighted average number of shares	**46,599,044**	40,706,606	**44,270,149**	39,649,472
Effect of dilutive securities				
Deferred Shares	**887,572**	824,384	**887,572**	824,384
Convertible debentures	**8,027,601**	8,047,432	**6,120,424**	6,130,765
Diluted basis weighted average number of shares	**55,514,217**	49,578,422	**51,278,145**	46,604,621
Net Earnings per share:				
Basic	**$ 1.06**	$ 1.20	**$ 2.11**	$ 2.09
Diluted	**$ 0.99**	$ 1.09	**$ 2.04**	$ 2.02

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the nine months ended September 30, 2023, the Corporation granted 36,795 (2022 – 32,964) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,894 (2022 – $1,422) 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, 2023, the Corporation recorded a compensation expense of $399 and $1,104 respectively (2022 – $226 and $832 respectively), for the Corporation's Deferred Share Plan within the general and administrative expenses of head office.

Restricted Share Plan

During the nine months ended September 30, 2023, the Corporation granted 233,729 (2022 – 153,270) restricted shares to certain personnel. The fair value of the restricted share units granted was $11,689 (2022 – $6,062) 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, 2023, the Corporation recorded compensation expense of $1,954 and $5,517 respectively (2022 – $1,655 and $4,295, respectively), for the Corporation's Restricted Share Plan within the general and administrative expenses of head office net of its restricted share plan hedge, with a corresponding liability recorded in Accounts Payable and Accrued Expenses.

Employee Share Purchase Plan

Certain employees of the Corporation participate in an Employee Share Purchase Plan ("ESPP"). Under the ESPP, employees make contributions of up to 5% of their base salaries to purchase Corporation shares out of treasury, and upon the employees remaining employed with the Corporation or its subsidiaries during an 18-month vesting period, they are entitled to receive an additional number of shares ("additional shares") equal to 33.3% of the number of shares they purchased and dividends declared on those additional shares over the vesting period. The cost of the award is recognized in head office expenses of the Corporation over the 18-month vesting period.

At the decision of the employee, any dividends paid on the additional shares over the vesting period are either paid to the employee in cash upon the shares vesting or shares are purchased using these dividend funds.

During the nine months ended September 30, 2023, employees acquired 47,151 shares from treasury at a weighted average price of $49.69 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 $807 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 December 31, 2022, audited consolidated financial statements.

Market Risk

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

Currency Risk

The Corporation has US $590,415 or $798,241 (December 31, 2022 – US $751,127 or $1,017,326) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $172,115 (December 31, 2022 – US $161,627) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation's investment in those subsidiaries with US dollar functional currencies are hedged partially by US $151,700 (December 31, 2022 – US $142,700) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the period, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at September 30, 2023, was a financial liability of $1,018 (December 31, 2022 – financial liability of $4,571). At September 30, 2023, the notional value of the swaps outstanding is US $263,300 (December 31, 2022 – US $427,000). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $1,018 was reclassified from other comprehensive income (December 31, 2022 – $4,571).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 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, 2023:

- US $587,600 (December 31, 2022 – US $748,500) was outstanding under SOFR and,
- US $2,815 (December 31, 2022 – US $2,627) was outstanding under US Prime, and
- $540,000 (December 31, 2022 – $201,000) was outstanding under Banker's Acceptances.

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

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

- $190,000, maturing May 15, 2024.
- $350,000, maturing April 17, 2026.
- US $140,000, maturing on April 27, 2026.

These derivative financial instruments hedge the exposure to variability in cash flow associated with the future payment of interest on Bankers' Acceptance or SOFR debt that would impact profit or loss and therefore qualify as a cash flow hedges. The fair value of interest rate swaps are recorded within other long-term financial asset of $22,689 (December 31, 2022 – other long-term financial asset of $7,514) and are recorded as a separate line within other comprehensive income.

Other Price Risk

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

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into derivative instruments 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 qualify as cash flow hedges. On a combined basis, the initial grant date fair value for the 2020, 2021 and 2022 programs was $22,632. The fair value of the instruments are recorded in long-term financial asset of $159 (December 31, 2022 – long-term financial asset of $4,181) and are recorded as a separate line within other comprehensive income.

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

Fair Value of Financial Instruments

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

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	**September 30, 2023**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	**$ 159**	**$ -**	**$ 159**	**$ -**
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	**22,689**	**-**	**22,689**	**-**
Other assets - Fair value through OCI (Note 7)	**7,625**	**-**	**-**	**7,625**
Financial Liabilities				
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	**(1,018)**	**-**	**(1,018)**	**-**
Fair Value Disclosures				
Other assets - Amortized cost	**2,644**	**-**	**2,644**	**-**
Long-term debt - Amortized cost	**(1,333,502)**	**-**	**-**	**(1,338,241)**
Convertible debt - Amortized cost	**(402,442)**	**(412,272)**	**-**	**-**

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	December 31, 2022	Level 1	Level 2	Level 3
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	$ 4,181	$ -	$ 4,181	$ -
Other long-term assets - Interest Rate Swap - Financial liability at fair value through OCI (Note 7)	7,514	-	7,514	-
Other assets - Fair value through OCI (Note 7)	6,917	-	-	6,917
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(4,700)	-	-	(4,700)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(4,571)	-	(4,571)	-
Fair Value Disclosures				
Other assets - Amortized cost	12,875	-	12,875	-
Long-term debt - Amortized cost	(1,214,764)	-	-	(1,218,326)
Convertible debt - Amortized cost	(399,443)	(446,890)	-	-

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

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

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

Consideration Liability Summary	**September 30**	December 31
For the periods ended	**2023**	2022
Opening balance	**$ 4,700**	$ 8,100
Accretion	**-**	235
Change in estimate	**(951)**	(1,947)
Acquisition of Northern Mat	**-**	6,189
Acquisition of APL	**-**	316
Settled during the period	**(3,749)**	(8,355)
Translation loss	**-**	162
Ending balance	**$ -**	$ 4,700

The liabilities for contingent consideration recorded as part of the acquisitions are included in Other Long-Term Liabilities in the Statement of Financial Position unless they are expected to be settled within a year. The remaining consideration liabilities, primarily consisting of estimated working capital settlements, are recorded within Accounts Payable and Accrued Expenses in the interim condensed consolidated Statement of Financial Position. The fair value of each earn out liability is determined at the time of the acquisition and uses several estimates. At the end of each reporting period, the Corporation reviews these estimates for reasonableness and makes any required adjustments to the carrying value of the liability.

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

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, 2023, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 6.10%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation’s specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation’s credit-worthiness.

As at September 30, 2023, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $412,272 (December 31, 2022 - $446,890) with a carrying value of $402,442 (December 31, 2022 - $399,443).

The Corporation’s policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current period.

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

16. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three and nine months ended September 30, 2023, and the comparative period in 2022 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2023**	2022	**2023**	2022
Accounts receivable, including long-term portion	**$ (44,453)**	$ (4,048)	**$ (39,941)**	$ (59,207)
Amounts due from customers on construction contracts	**(1,340)**	(9)	**(14,674)**	(2,128)
Inventories	**5,510**	(9,138)	**(37,152)**	(53,715)
Prepaid expenses and deposits, including long-term portion	**22,372**	578	**26,230**	(55,223)
Accounts payable and accrued expenses, including long-term portion	**10,992**	(4,689)	**(56,044)**	70,402
Income taxes receivable/payable	**10,948**	1,423	**8,895**	(10,813)
Deferred revenue, including long-term portion	**1,741**	(5,745)	**12,403**	5,495
Amounts due to customers on construction contracts	**(13,132)**	7,008	**(12,217)**	4,780
Net change in working capital	**$ (7,362)**	$ (14,620)	**$ (112,500)**	$ (100,409)

17. SUBSEQUENT EVENTS

Acquisition of DryAir Manufacturing Corp.

On October 5, 2023, the Corporation completed the acquisition of DryAir for $60 million, including purchase price consideration of $15 million in EIC common shares, subject to customary post closing adjustments. DryAir located in St. Brieux, Saskatchewan, provides portable hydronic heating systems that offer affordable and reliable climate control solutions to a variety of industries throughout North America.