Exchange
Income
Corporation

Third Quarter Report

For the nine months ended September 30, 2024

CEO's Message

Since our inception in 2004, our commitment to our strategy has been steadfast, and the results of that commitment have been consistently rewarding for the Company, our employees and our shareholders. Our purpose-built strategy has been based on three fundamentals: i) to provide our shareholders with dependable and growing cash distributions ii) maximize the share value associated with our diversified portfolio of subsidiaries, including through continued investment in those subsidiaries post-acquisition, and iii) employ a disciplined acquisition strategy. The strategy is rooted in taking the long-term view of our investments and our portfolio of subsidiaries. We have not strayed from that purpose in the past 20 years, and the record setting results for the third quarter highlight all aspects of our strategy.

Highlights from EIC's 2024 Third Quarter Financial Performance

- Record quarter revenues of $710 million, an increase of $22 million.
- Record quarterly Adjusted EBITDA of $193 million, representing growth of $25 million over the prior period or an increase of 15%.
- Record quarterly Free Cash Flow of $136 million compared to the prior period of $117 million, an increase of $19 million along with record Free Cash Flow per share of $2.86 compared to the prior period of $2.51.
- Record Net Earnings of $56 million compared to the prior period of $50 million and Net Earnings per share of $1.18 compared to the prior period of $1.06.
- Adjusted Net Earnings record of $61 million compared to the prior period of $55 million and Adjusted Net Earnings per share of $1.29 compared to the prior period of $1.19.
- Free Cash flow less Maintenance Capital Expenditures quarterly record of $81 million compared to the prior period of $74 million and record Free Cash flow less Maintenance Capital Expenditures per share of $1.71.
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio was 60% compared to the prior period of 58%.
- Announced that the Corporation was the successful bidder to provide integrated fixed-wing and rotary air ambulance services for the Province of Newfoundland and Labrador.
- Announced a new contract to provide airborne intelligence, surveillance and reconnaissance support for a domestic security agency in an allied European nation utilizing an existing aircraft along with an additional aircraft to be deployed during the contract.
- Announced, subsequent to quarter end, the acquisition of Spartan Mat, LLC and its subsidiary Spartan Composites, LLC which is a strategic acquisition expanding our Environmental Access Solutions business line into the US and adding additional products for our Canadian operations.

Revenue generated by the Aerospace & Aviation segment increased by $19 million or 5% to $433 million and Adjusted EBITDA increased by $31 million or 25% to $155 million over the comparative period. The significant drivers of the revenue and profitability increases relate to previous Growth Capital Expenditures related to additional routes, improved load factors, increased flying under the BC medevac contract with existing aircraft, increases in medevac activity under the new Manitoba contract, increased tempo of flying on owned ISR aircraft and continued step-based improvements in our Aircraft Sales & Leasing business line as aircraft and engine leasing continues to strengthen.

Manufacturing segment revenue increased by $3 million to $276 million for the quarter and Adjusted EBITDA decreased by $3 million to $51 million. The decrease was primarily driven by reductions in revenue and Adjusted EBITDA in the Multi-Storey Windows Solutions business and reductions in Adjusted EBITDA in the Precision Metal & Engineering business line offset by improvements in revenue and Adjusted EBITDA in the Environmental Access Solutions business line. Our Multi-Storey Windows Solutions business line was negatively impacted by customer driven project delays due to the macroeconomic environment along with additional costs associated with integrating the businesses. Our Precision Manufacturing & Engineering business line experienced a small improvement in revenue, however Adjusted EBITDA declined due to changes in sales mix among various businesses due to the temporary deferral of capital spending by certain customers during the period. We are continuing to see near record levels of quoting activity during the quarter and are seeing those inquiries being converted into firm fixed bookings throughout our various subsidiaries.

The diversification of our businesses was evident as our Aerospace & Aviation businesses drove our consolidated results. Our Manufacturing segment continued to see positive underlying trends which are encouraging as we move into 2025 and 2026. The discipline that we employ in our Growth Capital Expenditures and in our acquisition strategy was also apparent in our third quarter results. We made significant Growth Capital Expenditures in our Aerospace & Aviation segment over the past year and those investments are starting to yield their intended benefits as evidenced by our absolute and per share metrics. The positive trend of contract wins continued post quarter end with the announcement of the fixed-wing and rotary air ambulance services for the Province of Newfoundland and Labrador along with an expanded contract to provide airborne intelligence, surveillance and reconnaissance support for an allied European nation. We also announced the acquisition of Spartan Composites, LLC along with our quarterly results announcement. I previously spoke about our strategic desire to expand into the US market and we had looked at numerous businesses that could have accomplished that objective. Due to our disciplined acquisition strategy, none of our previous attempts met our strict criteria until we connected with the owners of Spartan. This acquisition has all of the hallmarks of what we look for in acquisitions. They are a niche business, as they are one of three composite mat manufacturers in North America. They have a strong management team that will lead the business into the future and their financial results will be accretive to our business on a stand-alone basis. Spartan provides a strategic entry for our Environmental Access Solutions business line into the US market along with product diversification for our Canadian operations through the rental and sale of composite matting solutions to our customers.

We are excited about our bright future and the growth prospects on the horizon. We are starting to see the economic uncertainty in North America abating. Canadian and US interest rates are on the decline and with the US election now in the rear-view mirror we are becoming more and more confident in the operating prospects of our business. We previously reported that we were seeing near record levels of inquiries at our Manufacturing segment businesses and that continued throughout the quarter. With the economic uncertainty risks reducing we are seeing those inquiries being converted into firm bookings as evidenced by over $200 million being added to our Multi-Storey Window Solutions business line backlog over the past quarter. This positive momentum is expected to continue for the fourth quarter and into 2025 for all our businesses. These tailwinds are expected to provide positive momentum as we move through 2025 and will be a major contributor to our longer-term results.

We continue to be very pleased with our financial performance. The strategies and tactics that our management teams are implementing today will set the foundation for fiscal 2025 and beyond. We are continuing the integration of our Multi-Storey Window Solutions business under the leadership of Darwin Sparrow. Our Aerospace team remains busy in responding to requests for proposals for services around the globe. Our Essential Air Services team continues to meet with interested governments regarding our world class medevac services and we are continuing to see significant interest in cargo and charter operations as Canada develops its critical mineral and other resources. These are just a few of the examples which lead me to conclude that the future of EIC is very bright. Our business model and the diversification of our businesses has proven itself over the past 20 years and it will be the guiding light to lead us into the future. Based on our contract wins and organic growth initiatives, along with the Spartan acquisition, I am confident that our Adjusted EBITDA will be between $690 and $730 million for 2025.

During the third quarter we gather our senior management team members from each subsidiary and we meet at a common location to discuss strategy, connect with one another and celebrate our successes. I come away from those meetings energized by each company and the opportunities before them. I can’t help to reminisce about how much we have achieved over 20 years. In 2004 we made our first acquisition, Perimeter. Today we will have more than $2.5 billion in revenues per year with over 8,000 employees around the globe. This was all accomplished while staying true to our initial purpose. To that end, by year end we will have paid out $1.0 billion in dividends to our shareholders with a total shareholder annual return nearing twenty percent since inception of the Company. The $1.0 billion dividend mark is an incredible statistic that wasn’t even fathomable 20 years ago when Duncan Jessiman and I were discussing our proposed business model. I am as excited as ever about the various prospects of each of our businesses. We have strong management teams and cultures within each business, and they stand ready to execute on their strategies. There are numerous opportunities before us and we will be ready to execute on those opportunities to drive the results over the short, medium and long term and continue the positive momentum that we have achieved.

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

Mike Pyle

Chief Executive Officer

November 7, 2024

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PREFACE

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2024 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Corporation"). All amounts are stated in thousands of Canadian dollars, except per share information and share data, unless otherwise stated.

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three and nine months ended September 30, 2024, its annual financial statements for the year ended December 31, 2023, and its annual MD&A for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim financial statements.

FORWARD-LOOKING STATEMENTS

This report and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical fact contained in this report and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, completed and potential acquisitions and the potential impact of such completed and/or potential acquisitions on the operations, financial condition, capital resources and business of the Corporation and/or its subsidiaries, the Corporation's policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its subsidiaries or any businesses to potentially be acquired by the Corporation. Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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

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

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

EXCHANGE INCOME CORPORATION

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

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

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

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

Segment Summary

The Corporation's operating segments are strategic business units that offer different products and services. The Corporation has two operating segments: Aerospace & Aviation and Manufacturing.

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

Aerospace & Aviation Segment

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

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

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

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

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

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

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

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

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

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

Manufacturing Segment

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

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

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

Environmental Access Solutions includes the operations of Northern Mat & Bridge LP and Armand Duhamel & Fils Inc.

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

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

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

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

Precision Manufacturing & Engineering accounted for approximately 15% of the Corporation's consolidated revenues in fiscal 2023. Margins in this line of business are typically stable. While there may be margin pressure in times of rapid escalation of prices of raw materials, generally our subsidiaries have the ability to pass on these costs to customers over time due to the specialty nature of the products that are being provided.

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

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

1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

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

FINANCIAL PERFORMANCE	2024	per share basic	per share diluted	2023	per share basic	per share diluted
For the three months ended September 30						
Revenue	$ 709,856			$ 687,673		
Adjusted EBITDA(1)	192,914			167,751		
Net Earnings	55,885	$ 1.18	$ 1.08	49,523	$ 1.06	$ 0.99
Adjusted Net Earnings(1)	61,372	1.29	1.18	55,263	1.19	1.09
Free Cash Flow(1)	136,116	2.86	2.50	117,143	2.51	2.20
Free Cash Flow less Maintenance Capital Expenditures(1)	81,201	1.71	1.53	74,341	1.60	1.43
Dividends declared	31,403	0.66		29,369	0.63	
For the nine months ended September 30						
Revenue	$ 1,972,200			$ 1,841,739		
Adjusted EBITDA(1)	461,010			411,904		
Net Earnings	93,061	$ 1.96	$ 1.92	93,280	$ 2.11	$ 2.04
Adjusted Net Earnings(1)	108,608	2.29	2.22	110,283	2.49	2.38
Free Cash Flow(1)	298,549	6.30	5.57	274,853	6.21	5.46
Free Cash Flow less Maintenance Capital Expenditures(1)	156,116	3.30	3.05	151,856	3.43	3.15
Dividends declared	93,849	1.98		83,983	1.89	
Trailing Twelve months as at September 30						
Adjusted Net Earnings payout ratio(1)		87%			78%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)		60%			58%	
FINANCIAL POSITION	**September 30, 2024**			December 31, 2023		
Working capital	$ 539,293			$ 540,720		
Capital assets	1,714,652			1,571,067		
Total assets	4,314,451			4,079,807		
Long-term debt	1,629,941			1,422,642		
Equity	1,273,105			1,245,473		
SHARE INFORMATION	**September 30, 2024**			December 31, 2023		
Common shares outstanding	47,625,641			47,136,625		
	September 30, 2024			September 30, 2023		
Weighted average shares outstanding during the period - basic	47,371,859			44,270,149		

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

SIGNIFICANT EVENTS

Normal Course Issuer Bid ("NCIB")

On March 14, 2024, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of 4,414,853 shares and daily purchases will be limited to 22,369 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $646, $711, $1,212, and $1,628, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

Credit Facility Upsize and Extension

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

On October 30, 2024, subsequent to the end of the quarter, the Corporation, at its option, reallocated US $100 million from the Corporation's Canadian head office to EIIF Management USA Inc. There was no change to the overall commitment to the consolidated group under the credit facility. This reallocation was completed in preparation for the closing of the purchase of Spartan.

Acquisition of Armand Duhamel & Fils Inc.

On June 21, 2024, the Corporation acquired Armand Duhamel & Fils Inc. ("Duhamel") for a purchase price of $19.5 million, which can increase up to $22.5 million if certain post-closing targets are achieved. The initial purchase price includes EIC share consideration of $3 million and $16.5 million cash paid on closing, and is subject to customary post closing adjustments. Duhamel, located in St-Ignace-de-Stanbridge, Quebec, operates a sawmill operation primarily focused on the manufacture and sale of eastern hemlock products. Duhamel will play an important role in partnership with Northern Mat & Bridge to further grow the Corporation's Environmental Access Solutions business line in the Quebec and Eastern Canada markets.

SUBSEQUENT EVENTS

Province of Newfoundland and Labrador Integrated Ambulance Services Contract Award

On October 3, 2024, the Corporation announced it was the successful bidder to provide integrated fixed-wing and rotary air ambulance services for the Province of Newfoundland and Labrador. The tendered 10-year contract with a 5-year renewal requires a fleet of up to 6 aircraft. The aircraft are expected to be phased into service with the first aircraft going into service during the first half of 2025.

Airborne Intelligence, Surveillance and Reconnaissance Support Contract Award

On October 30, 2024, the Corporation announced PAL Aerospace was awarded a new 15-month contract to provide airborne intelligence, surveillance and reconnaissance support to a domestic security agency in an allied European nation. The new contract follows an initial contract that saw the deployment of ISR aircraft and expands PAL Aerospace's contribution to the agency's enhancement of border security, combat transnational crime and protect vulnerable individuals from exploitation by migrant smugglers. Expanded in scope, this contract will see PAL Aerospace deploy a second aircraft during 2025 and additional technical capabilities to augment their existing operation.

Extension of Nunavut Medevac Contracts

Subsequent to the end of the quarter, the Corporation extended its contracts to service the three separate regions of Nunavut into 2026. These contract extensions included price increases to reflect above inflationary cost escalation in the business since the last contract was signed.

Acquisition of Spartan Mat LLC and Spartan Composites LLC

On November 7, 2024, the Corporation announced the acquisition of Spartan Mat LLC, and Spartan Composites LLC ("Spartan") for US $120 million, including purchase price consideration of US $18 million in EIC common shares, subject to customary post closing adjustments. The acquisition is expected to formally close within a week. Spartan, located in Rockledge, Florida is one of three manufacturers of composite access mats in the United States. The composite mat is fully recyclable at the end of its useful life, offering customers a sustainable alternative to traditional wood mats. At less than half the weight of a traditional wood mat, it also significantly reduces transportation costs. The acquisition of Spartan is highly strategic in expanding the Corporation's Environmental Access Solutions business line into the United States matting market.

2. RESULTS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Corporation for the three months ended September 30, 2024, and the comparative 2023 period.

	Three Months Ended September 30, 2024			
	Aerospace & Aviation	Manufacturing	Head Office [2]	Consolidated
Revenue	$ 433,483	$ 276,373	$ -	$ 709,856
Expenses [1]	278,264	225,326	13,352	516,942
Adjusted EBITDA	155,219	51,047	(13,352)	192,914
Depreciation of capital assets				64,707
Amortization of intangible assets				5,538
Finance costs – interest				34,225
Depreciation of right of use assets				10,276
Interest expense on right of use lease liabilities				2,044
Acquisition costs				1,549
Earnings before income taxes				74,575
Current income tax expense				11,587
Deferred income tax expense				7,103
Net Earnings				$ 55,885
Net Earnings per share (basic)				$ 1.18
Adjusted Net Earnings				$ 61,372
Adjusted Net Earnings per share (basic)				$ 1.29

	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

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 $710 million, an increase of $22 million, or 3% over the prior period. The increase was driven by both the Aerospace & Aviation and Manufacturing segments which increased by $19 million and $3 million respectively.

Adjusted EBITDA of $193 million was generated by the Corporation during the period, an increase of $25 million or 15% over the prior period. The increase was attributable to the Aerospace & Aviation segment increasing by $31 million over the prior period offset by a decrease in the Manufacturing segment of $3 million from the prior period. Head Office costs increased by $3 million over the prior period which is attributed to increased expenditures in information technology and cybersecurity, the expansion of the Atik Mason Indigenous Pilot Pathway to a third location in Rankin Inlet, increases in professional service fees and increased compensation expense.

We generally do not comment on Adjusted EBITDA margins on a consolidated basis, but given the magnitude of the improvement in this instance it bears discussion. There are two factors contributing to the increase over the prior period. During the third quarter of 2024, leasing revenues generated within Aircraft Sales & Leasing increased and represented a larger proportion of consolidated revenue, and leasing revenue is our highest Adjusted EBITDA margin business. Secondly, the Aerospace & Aviation Segment revenues as a whole represented a larger proportion of total revenues, and historically this segment generates higher Adjusted EBITDA margins.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $19 million or 5% to $433 million.

Revenue within Essential Air Services increased 23% over the prior period. This was driven by a number of factors including increased passenger demand attributable to higher average load factors and the positive impact of expanded routes on the East Coast, including routes flown on behalf of Air Canada. Revenues under medevac operations also increased, primarily attributed to the Manitoba Critical Care Contract, Nunavut operations, and the expanded scope under the BCEHS contract. Despite a delay in the delivery of the new aircraft, we were able to provide service under the expanded contract with existing aircraft. Within our rotary wing operations, firefighting activity increased during the quarter as there were a number of active fires across Canada. Investment in prior periods into additional larger gauge helicopters permitted expanded firefighting activity during the period.

Revenue within Aircraft Sales & Leasing decreased by 11% from the prior period. The decrease is attributable lower large asset sales volumes. Large asset sales can fluctuate quarter to quarter and are generally higher dollar transactions with lower margins. The period experienced continued improvement in leasing activity as run rates continue to progress towards pre-COVID levels. Lease revenue for the period was $24 million (2023 – $15 million) and Sales and Service revenue, which is the total revenue from all other streams in this business line other than leasing revenue, was $66 million (2023 – $86 million).

Revenue within Aerospace decreased by 20% from the prior period. The Corporation's ISR assets continued to be well utilized during the quarter and contribute positively to the results. This was more than offset, however, by a reduction in revenue in our training business as the planned wind down of existing programs occurred prior to the start of new programs.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased by $31 million or 25% to $155 million.

Adjusted EBITDA within Essential Air Services increased by 34% over the prior period. The increases in revenue discussed above drove increases in Adjusted EBITDA. In addition, increased pricing for certain medevac contracts to account for previous above inflationary cost escalation benefitted the period. Investments previously made in our fleets are now starting to produce the returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 23% over the prior period, primarily attributed to an increase in leasing activity during the period. Margins within this revenue stream are higher than other revenue streams as the capital cost associated with leasing is represented through depreciation, having an outsized impact on Adjusted EBITDA compared to revenue. Large asset sales are generally higher revenue, lower margin transactions, therefore a decrease in large asset sales during the period had an outsized impact to revenue compared to Adjusted EBITDA.

Adjusted EBITDA within Aerospace decreased 5% from the prior period. The change in product mix, notably the reduction in revenue from our training business had a muted impact on Adjusted EBITDA as this is a lower margin business.

Manufacturing Segment

The Manufacturing segment revenue increased by $3 million or 1% over the prior period to $276 million.

Revenue within the Environmental Access Solutions increased by 13% over the prior period. The business line experienced increased demand for mat sales over the prior period. Despite a dry summer and increased instances of forest fires, mat rental and auxiliary services to customers were consistent with the prior period. In response to forecasted demand, Environmental Access Solutions has embarked on an expansion of its mat fleet using its integrated in-house manufacturing capabilities, and as discussed below, has now completely replaced mats sold off earlier in the year. The acquisition of Duhamel in the second quarter is also positively impacting revenue during the period.

Revenue within Multi-Storey Window Solutions decreased by 4% from the prior period. This business line continues to manage through project delays and the inefficiencies caused by those delays. The business line is actively integrating the processes of Quest and BVGlazing and the expected production benefits will start to become evident in future periods. While the recent declines in benchmark borrowing rates have been positive for our order book, the long lead time between order and build means those positive developments have not yet started to impact our financial results. The increases in our orderbook generally take between 18 to 24 months before revenue is recorded.

Revenue within Precision Manufacturing & Engineering increased by 1% over the prior period. The increase is attributed to the acquisition of DryAir, for which there is no comparative in the prior period. For our pre-existing subsidiaries, certain customers continue to delay large capital projects as a result of general economic uncertainty. In addition, in the United States, as we have seen in previous election cycles, certain customers have put spending on hold until more clarity is available on policy going forward. In previous election cycles, we have seen the waiting on the sidelines quickly abate once the election is over.

Adjusted EBITDA in the Manufacturing segment decreased by $3 million or 5% from the prior period to $51 million.

Adjusted EBITDA within Environmental Access Solutions increased by 3% over the prior period. Adjusted EBITDA increased for the same reasons as discussed in the revenue section above. The increase in revenue outpaced the increase in Adjusted EBITDA as a result of a change in product mix that saw increased mat sales during the period, which are generally higher dollar value and lower margin sales.

Adjusted EBITDA within Multi-Storey Window Solutions decreased by 27% from the prior period. The Adjusted EBITDA decrease is attributed to a change in product mix, operational inefficiencies driven by project delays and the strategic decision to retain experienced staff to allow us to meet increased demand in the future as projects that are currently on hold are awarded. Within Multi-Storey Window Solutions, product mix towards third party installations generated lower Adjusted EBITDA margins, coupled with increased costs associated with integration activities.

Adjusted EBITDA within Precision Metal & Engineering decreased 4% from the prior period, primarily due to a change in sales mix between entities, and the impact of customers deferring capital spend during the period. DryAir, acquired on October 5, 2023, positively contributed to results during the period, partially offsetting the reduction experienced by our pre-existing businesses.

NET EARNINGS

Three Months Ended September 30,		2024		2023
Net Earnings	$	**55,885**	$	49,523
Net Earnings per share	$	**1.18**	$	1.06

Net Earnings were $56 million, an increase of $6 million or 13% over the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, which was partially offset by two items. First, interest costs increased over the prior period by $5 million due to the increased benchmark borrowing rates as well as an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Second, depreciation on capital assets increased $11 million over the prior period due to investment in Growth Capital Expenditures, increased levels of flying and the acquisition activity of the Corporation.

Income tax expense increased by $4 million from the comparative period while the Corporation's effective rate of tax increased to 25% from 23% in the prior period. The effective tax rate increased primarily because a greater proportion of pre-tax earnings was generated in higher tax jurisdictions than in the prior period and to a lesser extent, the impact of Global Minimum tax legislation.

Net Earnings per share increased by 11% over the prior period to $1.18. The weighted average number of shares increased by 2% which partially offset the increase in Net Earnings. 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,		2024		2023
Net Earnings	**$**	**55,885**	$	49,523
Acquisition costs (net of tax $132 and $35)		**1,417**		1,596
Amortization of intangible assets (net of tax $1,468 and $1,494)		**4,070**		4,144
Adjusted Net Earnings	**$**	**61,372**	$	55,263
per share – Basic	**$**	**1.29**	$	1.19
per share – Diluted	**$**	**1.18**	$	1.09

Adjusted Net Earnings was $61 million, an increase of $6 million or 11% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $4 million in intangible asset amortization and $1 million in acquisition costs (all net of tax). Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary.*

Adjusted Net Earnings per share increased 8% over the prior period to $1.29. The weighted average number of shares increased by 2%, which partially offset the increase in Adjusted Net Earnings. 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,		2024		2023
Cash flows from operations	$	124,971	$	117,257
Change in non-cash working capital		19,931		7,362
Acquisition costs (net of tax $132 and $35)		1,417		1,596
Principal payments on right of use lease liabilities		(10,203)		(9,072)
	$	136,116	$	117,143
per share – Basic	$	2.86	$	2.51
per share – Diluted	$	2.50	$	2.20

The Free Cash Flow generated by the Corporation during the period was $136 million, an increase of $19 million or 16% over the prior period. The increase in Adjusted EBITDA of $25 million is the primary reason for the increase in Free Cash Flow for the period. This was partially offset by increases in cash interest and cash taxes paid and to a lesser extent, an increase in principal payments on right of use assets. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis increased 14% over the prior period to $2.86. The weighted average number of shares increased by 2%, which partially offset the increase in Free Cash Flow. 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, 2024, and the comparative 2023 period.

	Nine Months Ended September 30, 2024			
	Aerospace & Aviation	Manufacturing	Head Office [2]	Consolidated
Revenue	$ 1,228,919	$ 743,281	$ -	$ 1,972,200
Expenses [1]	845,265	630,157	35,768	1,511,190
Adjusted EBITDA	383,654	113,124	(35,768)	461,010
Depreciation of capital assets				181,806
Amortization of intangible assets				16,709
Finance costs – interest				95,743
Depreciation of right of use assets				29,669
Interest expense on right of use liabilities				6,076
Acquisition costs				4,098
Earnings before taxes				126,909
Current income tax expense				33,320
Deferred income tax expense				528
Net Earnings				$ 93,061
Net Earnings per share (basic)				$ 1.96
Adjusted Net Earnings				$ 108,608
Adjusted Net Earnings per share (basic)				$ 2.29

	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 lease liabilities				5,406
Acquisition costs				5,599
Other				(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

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 $1,972 million, an increase of $130 million, or 7% 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 $14 million over the prior period.

Adjusted EBITDA of $461 million was generated by the Corporation during the period, an increase of $49 million or 12% over the prior period. The increase was attributable to the Aerospace & Aviation segment, which increased by $78 million over the prior period, partially offset by a decrease in the Manufacturing segment of $22 million from the prior period. Head Office costs increased $7 million over the prior period which is attributed to increased expenditures in information technology and cybersecurity, the expansion of the Atik Mason Indigenous Pilot Pathway to a third location in Rankin Inlet, increases in professional service fees and increased compensation expense.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $116 million or 10% to $1,229 million.

Revenue within Essential Air Services increased 18% over the prior period. The increase is primarily attributable to higher average load factors and the positive impact of expanded routes on the East Coast, including routes flown on behalf of Air Canada. Revenues under medevac operations have also increased, primarily attributed to the commencement of the Manitoba Critical Care Contract, and the benefit of expanded scope under the new BCEHS contract. Despite a delay in the delivery of the new aircraft, we were able to provide service under the expanded contract with existing aircraft. Within our rotary wing operations, firefighting activity increased during the period as there were a number of active fires across Canada. Investment in prior periods into additional larger gauge helicopters permitted expanded firefighting activity during the period.

Revenue within Aircraft Sales & Leasing increased 9% over the prior period. The increase is attributable to continued improvement in leasing activity in the period as run rates continue to progress towards pre-COVID levels. Large asset sales were consistent with the prior period. Large asset sales can fluctuate quarter to quarter and are generally higher dollar transactions with lower margins. Leasing revenue during the period was $59 million (2023 - $38 million) and Sales and Service revenue, which is the total revenue from all other streams in the business line other than leasing revenue, was $193 million (2023 - $193 million).

Revenue within Aerospace decreased 7% from the prior period. The decrease in revenue is attributed to a decrease in revenue within our training business. This decrease was partially offset by increases in revenue from our ISR assets in Europe.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased $78 million or 26% to $384 million for the period.

Adjusted EBITDA within Essential Air Services increased 24% over the prior period. The increases in revenue discussed above contributed to increases in Adjusted EBITDA. In addition, increased pricing for certain medevac contracts to account for previous above inflationary cost escalation benefitted the period. Investments made previously in our fleets of fixed wing aircraft are starting to produce the returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 34% over the prior period, primarily attributed to an increase in leasing activity during the period. Margins within this revenue stream are higher than other revenue streams as the capital cost associated with leasing is represented through depreciation, having an outsized impact on Adjusted EBITDA compared to revenue. Consistent with management's expectations, leasing revenues, which generate higher margins as compared to sales and service revenues, are continuing to increase as more assets are being deployed and run-rates return to pre-COVID levels.

Adjusted EBITDA within Aerospace increased 20% over the prior period. The increase is attributable to increased ISR flying globally. The percentage increase in Adjusted EBITDA outpaced the percentage decrease in revenue due to a change in product mix, as the training business saw a decline in revenue but generates lower margins, and the higher capital intensity nature of ISR flying revenue results in higher Adjusted EBITDA margins.

<u>Manufacturing Segment</u>

The Manufacturing segment revenue increased by $14 million or 2% over the prior period to $743 million.

Revenue generated within Environmental Access Solutions decreased by 15% from the prior period. The prior period experienced significant demand for mat and bridge rentals as long linear projects active during the first half of the year and milder weather that is more conducive to activity requiring mat usage resulted in a significant number of rental mats being deployed. The prior period demand for the first half of 2023 was outside of the norm with respect to seasonality traditionally experienced within this business. As this large project started to wind down in the second quarter of 2023, we have consistently messaged that we expected this business to return to more normal seasonality. Despite challenges in the third quarter, notably the impact of dryer weather and forest fires, this business line contributed increased revenues and Adjusted EBITDA over the prior period as discussed above as we returned to more normal seasonality. In response to forecasted demand, Environmental Access Solutions has embarked on an expansion of its mat fleet using its integrated in-house manufacturing capabilities. This business line was positively impacted by the partial year contribution from the acquisition of Duhamel, acquired June 21, 2024.

Revenue generated within Multi-Storey Window Solutions increased 15% over the prior period. The Corporation acquired BVGlazing on May 1, 2023, for which there is a partial comparative in the prior period, driving the increase in revenue. The impact from the addition of BVGlazing was partially offset by the impact of projects being pushed into later periods.

Revenue generated within Precision Manufacturing & Engineering decreased 2% from the prior period. DryAir was acquired on October 5, 2023, with no comparative in the prior period. This increase, however, was offset by declines in revenue at our pre-existing businesses caused by a variety of macroeconomic factors which has led to customers delaying large capital projects. For example, our tower business has received large orders initially planned for the second quarter, being delayed to the fourth quarter. In the US, as we have seen in previous election cycles, certain customers have put spending on hold.

The Manufacturing segment Adjusted EBITDA decreased by $22 million or 16% from the prior period to $113 million.

Adjusted EBITDA margins were lower than the prior period for several reasons. Product mix within this segment negatively impacted Adjusted EBITDA margins. The long linear project within Environmental Access Solutions that started to wind down in the prior period generated significantly higher rental revenue, which generates very high Adjusted EBITDA margins. As discussed previously, this was an anomaly and returned to a more normal cadence in the current period. Finally, within Multi-Storey Window Solutions, a shift in product mix towards third party installations generated lower Adjusted EBITDA margins.

Adjusted EBITDA within Environmental Access Solutions decreased 24% from the prior period. Adjusted EBITDA declined for the same reasons as discussed in the revenue section above. In addition, in the prior period, the proportion of revenue related to rental mats was higher than in the current period for reasons discussed above. This change in product mix resulted in Adjusted EBITDA declining at a faster rate than revenue, since rental revenue carries a much higher Adjusted EBITDA margin compared to mat sales revenue. This business line was positively impacted by the partial year contribution from the acquisition of Duhamel, acquired June 21, 2024.

Adjusted EBITDA within Multi-Storey Window Solutions decreased 2% from the prior period. The acquisition of BVGlazing on May 1, 2023, for which there is a partial comparative increased Adjusted EBITDA. The impact from the acquisition of BVGlazing was offset by a product mix shift towards lower Adjusted EBITDA margin third party installations, operational inefficiencies driven by project delays, the impact of the strategic decision to retain experienced staff to allow us to meet increased demand in the future as projects that are currently on hold are awarded, and increased costs associated with integration activities.

Adjusted EBITDA within the Precision Manufacturing & Engineering decreased 13% from the prior period primarily due to a change in sales mix between entities, in addition to customers deferring capital spend during the period. Partially offsetting the declines experienced by our pre-existing businesses, DryAir, acquired October 5, 2023, contributed positively to results in the current period.

NET EARNINGS

Nine Months Ended September 30,		**2024**		2023
Net Earnings	**$**	**93,061**	$	93,280
Net Earnings per share	**$**	**1.96**	$	2.11

Net Earnings was $93 million, consistent with the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, but this increase was offset by several items. First, a gain on contingent consideration of $1 million in the prior period did not recur in 2024. Second, interest costs increased over the prior period by $13 million due to the increased benchmark borrowing rates as well as an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Third, depreciation on capital assets increased $30 million over the prior period due to the acquisition activity and investment in Growth Capital Expenditures. Finally, an increase in amortization of intangible assets from the Corporation's 2023 acquisition activity decreased Net Earnings.

Income tax expense increased $3 million over the prior period while the Corporation's effective tax rate increased to 27% from 25% primarily as a result of three factors. First, in the prior period, the Corporation generated a $1 million gain on remeasurement of contingent consideration which was not subject to tax and reduced the effective tax rate in the prior period. Second, a greater portion of pre-tax earnings was generated in higher tax jurisdictions than in the prior period. Finally, the impact of the introduction of Global Minimum Tax legislation increased tax expense in the current period. Current tax expense was higher than the prior period due to higher pre-tax earnings in higher tax rate jurisdictions, reduced accelerated depreciation for tax purposes in Canada and the US, and to a lesser extent, the impact of the Global Minimum Tax legislation.

Net Earnings per share decreased by 7% from the prior period to $1.96. The weighted average number of shares increased by 7%, which reduced Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

ADJUSTED NET EARNINGS *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Nine Months Ended September 30,		**2024**		2023
Net Earnings	**$**	**93,061**	$	93,280
Acquisition costs (net of tax $832 and $258)		**3,266**		5,341
Amortization of intangible assets (net of tax $4,428 and $4,205)		**12,281**		11,662
Adjusted Net Earnings	**$**	**108,608**	$	110,283
per share – Basic	**$**	**2.29**	$	2.49
per share – Diluted	**$**	**2.22**	$	2.38

Adjusted Net Earnings was $109 million, a decrease of $2 million or 2% from 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 $3 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 by 8% to $2.29 from the prior period. The weighted average number of shares increased by 7%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

FREE CASH FLOW *(Section 12 – Non-IFRS Financial Measures and Glossary)*

FREE CASH FLOW	Nine Months Ended September 30,		2024		2023
Cash flows from operations		**$**	**216,477**	$	183,469
Change in non-cash working capital items			**107,507**		112,500
Acquisition costs (net of tax $832 and $258)			**3,266**		5,341
Principal payments on right of use lease liabilities			**(28,701)**		(26,457)
		$	**298,549**	$	274,853
per share – Basic		**$**	**6.30**	$	6.21
per share – Diluted		**$**	**5.57**	$	5.46

The Free Cash Flow generated by the Corporation during the period was $299 million, an increase of $24 million, or 9% over the prior period. The primary reason for this increase is the $49 million increase in Adjusted EBITDA, which was partially offset by increases in cash interest and current taxes, and to a lesser extent, an increase in principal payments on right of use assets. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis increased 1% from the prior period to $6.30. The weighted average number of shares increased by 7%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

3. INVESTING ACTIVITIES

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

ACQUISITIONS

Armand Duhamel & Fils Inc.

On June 21, 2024, the Corporation acquired the shares of Armand Duhamel & Fils Inc. (“Duhamel”). Duhamel, located in St-Ignace-de-Stanbridge, Quebec, operates a sawmill operation primarily focusing on the manufacture and sale of eastern hemlock products. The acquisition is strategic to EIC as Duhamel will play an important role in partnership with Northern Mat & Bridge to further grow the Corporation’s Environmental Access Solutions business line in the Quebec and Eastern Canada markets.

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

Consideration given:		
Cash	$	16,500
Issuance of 67,828 shares of the Corporation at $44.23 per share		3,000
Contingent consideration - earn out		2,572
Total purchase consideration	**$**	**22,072**

CAPITAL EXPENDITURES

		Three Months Ended September 30, 2024						
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	$	45,043	$	9,468	$	404	$	54,915
Growth Capital Expenditures		91,232		1,948		-		93,180
	$	136,275	$	11,416	$	404	$	148,095

		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

		Nine Months Ended September 30, 2024						
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	$	120,440	$	21,307	$	686	$	142,433
Growth Capital Expenditures		174,922		2,374		10		177,306
	$	295,362	$	23,681	$	696	$	319,739

		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

Maintenance Capital Expenditures for the nine month period ended September 30, 2024, increased by $19 million or 16% over the prior period. The increase in the Aerospace & Aviation segment was $16 million, and the increase in the Manufacturing segment was $3 million, over the prior period. Maintenance Capital Expenditures for the Corporation's Essential Air Services have historically been weighted more towards the first half of the year as heavy checks, overhauls, and engine maintenance events are scheduled at a time when demand is lowest. With a larger fleet, we are more easily able to share aircraft across our organization if maintenance events occur during an operationally busier time of year. As the size of our fleet has increased, maintenance schedules have become more equally distributed through the entire year than we would have experienced historically. 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, 2024, were $39 million and $99 million, respectively, an increase of 43% and 28%, respectively, over the prior period. The second and third quarters of 2023 saw unseasonably low investment in Maintenance Capital Expenditures based on the timing of events. In the current period, the segment continued to experience headwinds caused by parts inflation and increased labour rates. 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, 2024, within Essential Air Services, were $28 million and $71 million, respectively. This includes investments made in aircraft and infrastructure for the BCEHS contract, investment in aircraft and infrastructure for the Manitoba Critical Care contract, continued investment for the acquisition of a full motion King Air simulator, and the construction of the Gary Filmon Indigenous Terminal.

Maintenance Capital Expenditures for Aerospace for the three and nine months ended September 30, 2024, were $6 million and $16 million, respectively, an increase of 189% and 58%, respectively, over the prior period. The increase over the prior period is due to the timing of events that took place as period to period variability is expected. 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 increases. Growth Capital Expenditures for the three and nine months ended September 30, 2024 were $6 million and $26 million, respectively, which relates to the purchase of a previously leased hangar for our European operations, the purchase of an additional aircraft for modification into a surveillance platform, and the preparation of aircraft for the upgrade of the surveillance aircraft for the expanded Curaçao contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing for the three and nine months ended September 30, 2024, were nil and $5 million, respectively, a decrease of 100% and 69%, respectively, from the prior period. Lower reinvestment in the lease portfolio was required as investments made in prior periods allowed those assets to be deployed or are in the preparation of being deployed to customers. Growth Capital Expenditures for the three and nine months ended September 30, 2024, were $57 million and $78 million, respectively. Assets purchased during the quarter have either already 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, 2024**		December 31, 2023	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**63 (1)**	**127**	51 (1)	125

Note 1) The aircraft total above includes 17 airframes that do not have engines (December 31, 2023 – 8 airframes) including 8 (December 31, 2023 - 8 airframes) that 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 Pratt & Whitney turboprop 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. We regularly revisit this policy and any future adjustments would occur on a prospective basis. Because the timing between the removal of assets from the lease portfolio and the replacement of those assets can vary 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, 2024, Maintenance Capital Expenditures for Environmental Access Solutions was $8 million and $18 million, respectively, an increase of 35% and 18%, respectively, over the prior period. This increase is driven by the replacement of rolling stock which did not occur in the prior period. For the three and nine months ended September 30, 2024, Growth Capital Expenditures were $1 million and $ nil, respectively. Growth capital expenditures during the second and third quarters offset negative Growth Capital expenditures in the first quarter. During the first quarter, Environmental Access Solutions took advantage of an opportunity to sell some mats in its fleet in response to customer demand. During the second and third quarters, investments were made to build new mats for the rental fleet.

For the three and nine months ended September 30, 2024, 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, 2024, were less than $1 million and $2 million, respectively. Investments were made in the quarter in new equipment to support production efficiencies between our Multi-Storey Window Solutions businesses.

For the three and nine months ended September 30, 2024, 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, 2024 were less than $1 million and $1 million, respectively. The Growth Capital Expenditures were investments in new equipment to enhance our ability to meet increasing customer demand and create efficiencies that started to come to fruition in the latter part of the quarter.

INVESTMENT IN WORKING CAPITAL

During the nine months ended September 30, 2024, the Corporation invested $108 million into working capital to support several growth initiatives and increased revenues, as discussed further below. As previously disclosed in our year-end 2023 report, a portion of the investment during the period relates to a receivable collected in advance for which a corresponding payable of approximately $30 million was settled in early January 2024. In the prior period a similar transaction occurred where a payable of approximately $80 million was settled in the first quarter of 2023 for a receivable collected in late 2022. The remaining investment relates to the impact of increased business volumes and timing as discussed further below.

During the period, the Corporation continued to invest in the Aircraft Parts & Leasing business, making several purchases for assets that will be parted out and sold in future quarters. This increase in inventory will support future parts sales, but due to a shortage of available MRO shop time around the world, we expect there may be delays in completing the tear down of these assets into their component parts for resale.

During 2024, there has been investment in accounts receivable and amounts due from customers on construction contracts. This investment in working capital in the second and third quarters was higher than we have seen historically and we expect to convert a large portion of this investment to cash by the end of the year and not become a permanent increase to our overall working capital. Certain government receivables are behind our historical collection patterns and are expected to be brought in line with historical days outstanding before the end of the year.

The third quarter is the seasonally busiest period for the Corporation and therefore a temporary investment in working capital is typical to support this seasonality. As discussed above, this working capital is expected to be monetized in later periods, which is consistent with our experience in previous years.

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	2024 Dividends Amount	Record date	Per Share	2023 Dividends Amount
January	January 31, 2024	$ 0.22	$ 10,380	January 31, 2023	$ 0.21	$ 8,927
February	February 29, 2024	0.22	10,389	February 28, 2023	0.21	8,933
March	March 29, 2024	0.22	10,402	March 31, 2023	0.21	8,945
April	April 30, 2024	0.22	10,410	April 28, 2023	0.21	8,968
May	May 31, 2024	0.22	10,419	May 31, 2023	0.21	9,067
June	June 28, 2024	0.22	10,446	June 30, 2023	0.21	9,774
July	July 31, 2024	0.22	10,457	July 31, 2023	0.21	9,781
August	August 30, 2024	0.22	10,468	August 31, 2023	0.21	9,789
September	September 27, 2024	0.22	10,478	September 29, 2023	0.21	9,799
Total		**$ 1.98**	**$ 93,849**		$ 1.89	$ 83,983

Dividends declared for the nine months ended September 30, 2024, increased over the prior period. The increase was primarily driven by three items. First, the Corporation increased its dividend by 5% in the fourth quarter of 2023. Second, the completion of the equity offering in the second quarter of 2023 increased the number of shares outstanding. Finally, the issuance of shares as part of the acquisitions of Hansen and BVGlazing in the second quarter of 2023, DryAir in the fourth quarter of 2023, and Duhamel in the second quarter of 2024 further increased the number of shares outstanding. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

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

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

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

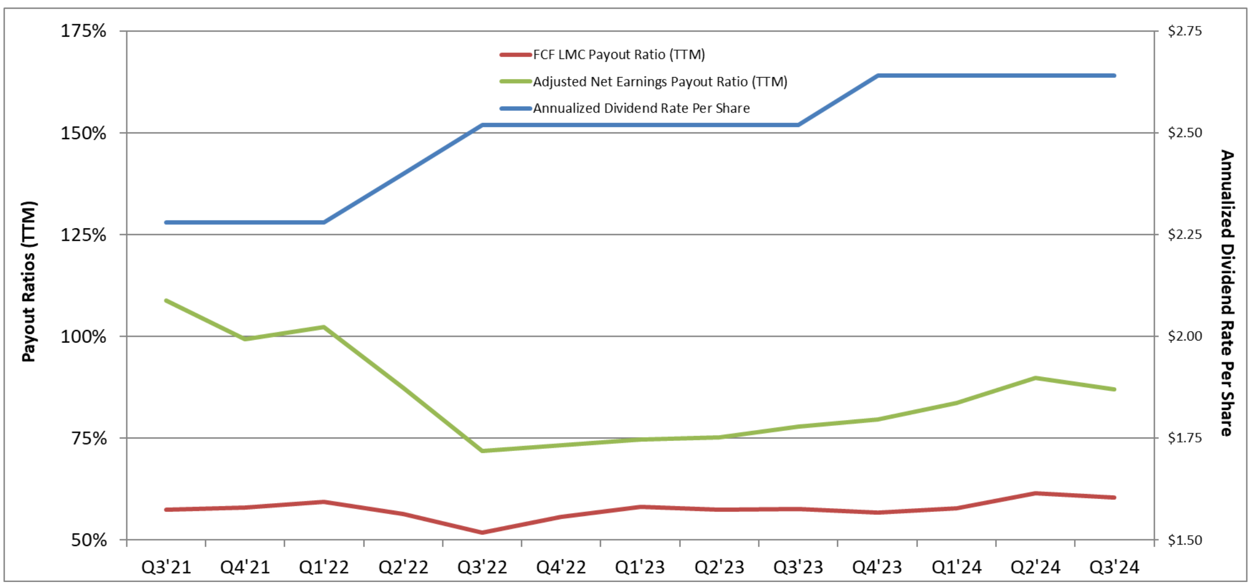
Payout Ratios

Basic per Share Payout Ratios for the Corporation	2024		2023	
Periods Ended September 30	Three Months	Trailing Twelve Months	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**51%**	**87%**	53%	78%
Free Cash Flow less Maintenance Capital Expenditures	**39%**	**60%**	39%	58%

The trailing twelve month Adjusted Net Earnings payout ratio was 87% at September 30, 2024 compared to 78% at September 30, 2023, primarily due to increased interest costs and depreciation, reducing Adjusted Net Earnings from the prior period. The increase in interest costs is driven by increases in the benchmark borrowing rates and borrowings over the period, while depreciation is driven by investment in Growth Capital Expenditures. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 60% compared to 58% in the prior period and was also impacted by increased interest rates and borrowings. 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 was a continuation of the execution of our strategy which was evident by the Corporation setting multiple quarterly and all-time high records on key financial metrics. The organic growth initiatives, specifically the Aerospace & Aviation segment contractual wins, will continue to ramp and drive profitability throughout the remainder of 2024, into 2025 and beyond. For the purposes of the Outlook, we will provide a high-level overview of the seasonality of the business along with qualitative discussions regarding our segment expectations for the remainder of 2024.

Seasonality

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

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

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

Outlook by Segment

Our Aerospace & Aviation segment revenue and Adjusted EBITDA is expected to increase for the remainder of the year relative to the prior period due to our organic growth investments made in our aviation entities over the past number of years and executing on the contractual announcements in 2023 and 2024. Our Essential Air Services business line will reflect the contributions from Growth Capital Expenditures, the commercial agreement with Air Canada and the medevac contracts with British Columbia and Manitoba. Service had commenced under the Air Canada agreement on July 1, 2023 with limited flights and aircraft. The operations ramped up during 2023 with four of the aircraft flying the contracted routes in November 2023. The option for the fifth and sixth aircraft were executed and these aircraft started flying partway through the second quarter including routes to the United States starting in the fourth quarter of 2024 . The British Columbia fixed wing medevac contract started in November 2023 with services being provided by existing aircraft, however the full impact on profitability will be evident when the new aircraft are deployed and the pre-existing aircraft are redeployed in other contracts. The first of the new King Air aircraft was received from the manufacturer earlier in the year and modified with the state-of-the-art medical interior and is operating under the contract. The second new aircraft was received in August, modified and went into service in late October 2024. The remainder of the aircraft will be delivered throughout 2025 and into 2026. In February 2024, the Manitoba medevac contract started with the modification and deployment of turboprop aircraft. The medevac jet aircraft were modified and introduced into the fleet in the third quarter of 2024. The Aerospace business line is expected to be consistent for the fourth quarter compared to the prior year as the flying tempo continues to increase under the various contracts offset by reductions in the training business. Our ISR aircraft continues to be highly utilized and we recently announced a contract for the continuation of ISR flying for the next 15 months with an additional owned ISR asset joining the fleet and being utilized under the contract starting in mid 2025. Lastly, the Aircraft Sales & Leasing business line continues to improve. Leasing income continues to increase and will exceed fiscal 2019 revenue run rates by the end of the year. Furthermore, air operators are continuing to look for spare engines and repaired parts to capitalize on the current and growing demand around the world, resulting in strong parts, aircraft and engine sales.

On a longer-term basis, the outlook for our Aerospace & Aviation segment continues to be bullish. The services we provide to the Northern communities are essential services. We have invested significantly in our fleets over the past number of years and the result of those investments will continue to impact our financial results. Further tailwinds exist, as Canada's resources economy continues to develop, which will necessitate further transportation to remote areas. Lastly, there continue to be opportunities to expand the geographical footprint of our world class medevac capabilities to other regions throughout Canada and the ability to expand our ISR offerings to other geographies around the world. During the third quarter we submitted our proposal for the Northwest Territories fixed wing medevac RFP and are awaiting the final decision. Additionally, we also announced that we were the successful proponent, along with Medavie Health NL, to design, manage and operate the integrated ambulance services for the Province of Newfoundland and Labrador. Our specific workscope includes fixed wing and rotary air ambulance services. We are continuing to negotiate the finalization of the contract with the Province of Newfoundland and Labrador.

Our Manufacturing segment revenue for the remainder of the year is expected to be slightly higher than the prior period primarily due to the acquisition of Duhamel and Spartan in June 2024 and November 2024, respectively. The increase in sales will be partly offset by reduced rental mat sales for the Environmental Access Solutions business line as the prior period included an abnormal amount of used rental mat sales along with reduced activity within our Multi-Storey Windows business line due to certain project delays. Spartan production volumes will continue to ramp in 2025 as its manufacturing equipment utilization increases due to recent upgrades and growth capital investments made by the former owners prior to the acquisition. We also anticipate a shut down of the plant during 2025 to enhance the capacity of the plant by further investing in manufacturing equipment. Our Manufacturing segment Adjusted EBITDA is expected to be slightly lower than the prior period primarily due to the factors described above.

Our Environmental Access Solutions business line is expected to generate returns roughly in line with the comparative period assuming normal weather patterns. Our Multi-Storey Window Solutions business line returns for the remainder of the year are expected to be slightly lower than the prior period due to a combination of delayed project start dates and additional costs related to the continued integration of the businesses. We expect our Precision Manufacturing & Engineering business line to generate returns slightly greater than in the prior period. All of our businesses are continuing to see a significant number of inquiries, however the conversion to bookings remains comparatively slower than in the past due to interest rates, economic uncertainty associated with the US election and geopolitical concerns impacting business confidence. We anticipate seeing an increase in the conversion of bookings to firm orders throughout the fourth quarter consistent with the recent uptick experienced in the third quarter.

On a longer-term basis, we continue to believe our Manufacturing segment businesses are poised for profitable growth based on business fundamentals and North American trends. Our Environmental Access Solutions business line sees opportunities for strong growth while the composite matting manufacturing capability of Spartan will allow for further product diversification. With the acquisition of Spartan and its recent investment in new manufacturing equipment, we anticipate that mat production volumes will improve throughout fiscal 2025 as operations become more optimized. On a macro basis, the green economy will require greater protection of environmentally sensitive areas as the electrical grid is expanded in the transmission and distribution sector and opportunities in the resource sector will require greater utilization of matting and bridge solutions. The long-term macroeconomic trends associated with the shortage in housing and rentals across North America provides significant medium and long-term upside to our Multi-Storey Windows Solutions business line. We are seeing an increase in the number of apartment projects as opposed to condominiums along with re-skinning projects to convert commercial properties into residential buildings. Our Multi-Storey Windows business line is agnostic to the type of project as our subsidiaries have significant experience in all subsectors. The increased bookings and resultant increase in backlog experienced in the last several months are expected to be manufactured within the next 18 to 24 months, consistent with historical trends. Lastly, our Precision Manufacturing & Engineering business line is poised for growth based on the anticipated increased demand as customers are reshoring manufacturing capabilities to North America coupled with execution on opportunities that are expected to materialize as interest rates continue to decline and the macroeconomic uncertainty continues to abate.

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

Capital Expenditures

Maintenance Capital Expenditures are undertaken to maintain the earning power of the business. The vast majority of our Maintenance Capital Expenditures are related to the Aerospace & Aviation segment, and these are driven by required maintenance intervals generally based on flight hours. With the expanded fleet size, contract wins, persistent inflation related to parts and labour costs and US dollar strength, we anticipate increases in our Maintenance Capital Expenditures in our Essential Air Services, Aircraft Sales & Leasing and Aerospace business lines consistent with increases in Adjusted EBITDA. Maintenance Capital Expenditures are expected to increase for the remainder of the year relative to the comparative period due to the timing of maintenance events. Maintenance Capital Expenditures in our Manufacturing segment are expected to increase due to the acquisitions in 2023 and 2024.

Growth Capital Expenditures for the remainder of 2024 are expected to be significantly lower relative to the prior year. The fourth quarter of the prior year included capital expenditures for the delivery of medevac and other aircraft, build out of infrastructure related to the British Columbia and Manitoba medevac contracts and capital expenditures related to the Air Canada agreement. The growth capital expenditures for the remainder of 2024 primarily relates to expenditures associated with the installation of a full-motion King Air simulator and continued investments related to the Gary Filmon Indigenous Terminal on the grounds of the Winnipeg Airport as we renovate the legacy terminal space while we are currently utilizing the new terminal addition. We anticipate the completion of both projects in early 2025. Within the Aerospace business line, Growth Capital Expenditures will be required for the expanded scope of ISR contracts. Finally, as the Aircraft Parts & Leasing business line is an opportunistic acquiror, Growth Capital Expenditures may be undertaken if opportunities are identified, and returns are commensurate with management's expectations. These opportunistic purchases are held to the same level of diligence and discipline as an acquisition and will only be executed if appropriate financial metrics and risk mitigation exist. Growth Capital Expenditures in our Manufacturing segment are expected to be relatively consistent with the prior year. Specifically, our Environmental Access Solutions business line constantly monitors the market and may right size its rental bridge and mat fleet.

2025 Overall Outlook

Our resilient and diversified business model coupled with the contractual wins and acquisitions announced in 2023 and 2024 provides us with confidence that our Adjusted EBITDA for 2025 is expected to be in the range of $690 million to $730 million.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong. The Corporation completed several capital transactions in 2023, strengthening its balance sheet as the Corporation prepares for future growth. These transactions increased the Corporation's access to capital to make acquisitions, its ability to invest in its operating subsidiaries, and provides the ability to weather economic downturns. In addition, the structured timing of debt maturities provides additional financial flexibility. During the second quarter of 2024, the Corporation also completed an upsize and extension of its credit facility.

As at September 30, 2024, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current senior leverage ratio is 2.87x, with the increase compared to prior periods attributable to Growth Capital Expenditures related to recently awarded contracts funded using the Corporation's credit facility. As the Corporation continues to get the benefit of the deployment of the assets, Adjusted EBITDA will increase and the senior leverage ratio will decline. The Corporation's total leverage ratio includes the impact of outstanding convertible debentures, and the importance of this form of capital relative to Adjusted EBITDA has declined in recent years. Historically, our target was 1.0x unsecured debt to Adjusted EBITDA, and based on the midpoint of the 2024 guidance, these debentures approximated 0.68x. Cash generated from working capital before the end of the year will also have the impact of moderating the Corporation's leverage ratio.

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, 2024, the Corporation has liquidity of approximately $926 million through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position.

As at September 30, 2024, the Corporation had a cash position of $59 million (December 31, 2023 - $104 million) and a net working capital position of $539 million (December 31, 2023 - $541 million) which represents a current ratio of 1.76 to 1 (December 31, 2023 – 1.87 to 1). The working capital position was impacted by the June 2018 convertible debentures that are now presented as current but were not at December 31, 2023. 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 2024		December 31 2023
Total senior debt outstanding (principal value)	$	**1,633,530**	$	1,427,035
Convertible debentures outstanding (par value)		**424,502**		424,502
Common shares		**1,274,661**		1,252,890
Total capital	$	**3,332,693**	$	3,104,427

Credit facility

On May 6, 2024, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2.2 billion from approximately $2.0 billion and extended its terms to May 6, 2028, and was completed with no change in pricing. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA Inc. The amount allocated to the Corporation's Canadian head office includes a new $200 million social loan tranche, which will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million Social Loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes. As part of the transaction, ISS Corporate provided an independent Second Party Opinion that concluded the loan is in alignment with the Social Loan Principles as issued by the Loan Market Association. The increased size of the facility provides the Corporation with capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition. As of September 30, 2024, the Corporation had drawn $363 million and US $941million (December 31, 2023 - $540 million and US $671 million).

On October 30, 2024, subsequent to the end of the quarter, the Corporation, at its option, reallocated US $100 million from the Corporation's Canadian head office to EIIF Management USA Inc. There was no change to the overall commitment to the consolidated group under the credit facility. This reallocation was completed in preparation for the closing of the purchase of Spartan.

The Corporation's long-term debt, net of cash, increased by $252 million since December 31, 2023. The increase is attributable to investments in Growth Capital Expenditures, investment in working capital, and the acquisition of Duhamel as discussed in *Section 3 – Investing Activities*.

During the period, the Corporation used derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms 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, 2024, US $577 million (December 31, 2023 – US $338 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the period, the Corporation continued the use of interest rate swaps with certain members of its syndicate. The effect of these transactions results in approximately $540 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, 2024, and changes in the amounts of convertible debentures outstanding during the nine months ended September 30, 2024:

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

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures – June 2018	79,702	-	-	-	79,702
Unsecured Debentures – March 2019	86,068	-	-	-	86,068
Unsecured Debentures – July 2021	143,732	-	-	-	143,732
Unsecured Debentures – December 2021	115,000	-	-	-	115,000
Total	$ 424,502	$ -	$ -	$ -	$ 424,502

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the nine months ended September 30, 2024:

	Date issued	Number of shares
Shares outstanding, beginning of period		47,136,625
Issued under dividend reinvestment plan (DRIP)	various	351,130
Issued under employee share purchase plan	various	47,371
Issued under deferred share plan	various	15,084
Issued under Indigenous community partnership agreements	June 25, 2024	7,603
Issued to Armand Duhamel & Fils vendors on closing	June 21, 2024	67,828
Shares outstanding, end of period		47,625,641

The Corporation issued 351,130 shares under its dividend reinvestment plan during the period and received $16 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 47,371 shares under its Employee Share Purchase Plan during the period and received $2 million for those shares in accordance with the Employee Share Purchase Plan.

The Corporation issued shares to the vendors of Duhamel as part of the consideration paid on completion of the acquisition. In total, 67,828 shares were issued, representing purchase price consideration of $3 million.

In the prior year, 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. This offering was the largest common share offering in the Corporation's history and was completed to fund capital expenditures required for contracts that require upfront capital investment. This offering is driving the increase in the weighted average shares outstanding over the prior nine month period.

The weighted average shares outstanding during the three and nine months ended September 30, 2024, increased by 2% and 7%, respectively compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's dividend reinvestment plan, and shares issued as part of the acquisitions of BVGlazing and Hansen in the second quarter of 2023, DryAir in the fourth quarter of 2023 and Duhamel in the second quarter of 2024.

Normal Course Issuer Bid

On March 14, 2024, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of 4,414,853 shares and daily purchases will be limited to 22,369 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, with daily purchases of principal amount, other than block purchase exceptions, limited to $646, $711, $1,212 and $1,628 respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

During the nine months ended September 30, 2024, the Corporation did not make any purchases under either NCIB and therefore still has the full amounts detailed above available for repurchase.

7. RELATED PARTY TRANSACTIONS

The nature of related party transactions that the Corporation entered during the nine months ended September 30, 2024, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2023.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the MD&A of the Corporation for the year ended December 31, 2023.

9. ACCOUNTING POLICIES

The accounting policies of the Corporation used in the determination of the results for the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2023 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three and nine months ended September 30, 2024.

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

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

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

Management has evaluated the design of the Corporation's internal controls over financial reporting as at September 30, 2024, and has concluded that the design of internal controls over financial reporting is effective.

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 Duhamel, acquired on June 21, 2024, as management has not completed its review of internal controls over financial reporting for this newly acquired company. Duhamel had revenue of $6 million included in the consolidated results of the Corporation for the nine months ended September 30, 2024. As at September 30, 2024, it had current assets of $7 million, non-current assets of $18 million, current liabilities of $1 million, and non-current liabilities of $15 million.

There have been no material changes to the Corporation's internal controls during the 2024 period that would have materially affected, or are likely to materially affect, the internal controls over financial reporting.

On November 7, 2024, subsequent to the end of the third quarter, the Corporation announced the acquisition of Spartan which is expected to formally close within a week. 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 2024.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to management in a timely manner and that information required to be disclosed by the Corporation is reported within the time periods prescribed by applicable securities legislation. Management has concluded that the design of disclosure controls and procedures were effective as at September 30, 2024.

11. RISK FACTORS

The Corporation and its subsidiaries are subject to several business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entities. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's MD&A for the year ended December 31, 2023.

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

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

<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.

<u>Free Cash Flow</u>: 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.

<u>Free Cash Flow less Maintenance Capital Expenditures</u>: 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.

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

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

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

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

			2024				2023		2022
	Q3	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 709,856**	**$ 660,575**	**601,769**	$ 656,676	$ 687,673	$ 627,222	$ 526,884	$ 543,360	$ 586,770
Adjusted EBITDA	**192,914**	**157,045**	**111,051**	143,621	167,751	147,036	97,117	124,052	150,379
Net Earnings	**55,885**	**32,648**	**4,528**	29,027	49,523	36,896	6,861	26,990	48,936
Basic	**1.18**	**0.69**	**0.10**	0.62	1.06	0.85	0.16	0.64	1.20
Diluted	**1.08**	**0.67**	**0.09**	0.61	0.99	0.80	0.16	0.62	1.09
Adjusted Net Earnings	**61,372**	**37,662**	**9,574**	33,768	55,263	43,480	11,540	32,049	54,530
Basic	**1.29**	**0.80**	**0.20**	0.72	1.19	1.00	0.27	0.76	1.34
Diluted	**1.18**	**0.77**	**0.20**	0.70	1.09	0.93	0.27	0.73	1.20
Free Cash Flow ("FCF")	**136,116**	**100,502**	**61,931**	102,265	117,143	98,002	59,708	82,533	112,832
Basic	**2.86**	**2.13**	**1.31**	2.17	2.51	2.25	1.40	1.95	2.77
Diluted	**2.50**	**1.88**	**1.19**	1.92	2.20	1.96	1.26	1.71	2.38
FCF less Maintenance Capital Expenditures	**81,201**	**52,322**	**22,593**	49,971	74,341	58,592	18,923	40,243	69,009
Basic	**1.71**	**1.11**	**0.48**	1.06	1.60	1.34	0.44	0.95	1.70
Diluted	**1.53**	**1.02**	**0.47**	0.99	1.43	1.21	0.44	0.88	1.49
Maintenance Capital Expenditures	**54,915**	**48,180**	**39,338**	52,294	42,802	39,410	40,785	42,290	43,823
Growth Capital Expenditures	**93,180**	**44,800**	**39,326**	101,566	81,115	85,952	34,411	48,885	27,055

ADDITIONAL INFORMATION

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	September 30 2024	December 31 2023
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 58,588**	$ 103,559
Accounts receivable	**635,983**	543,611
Amounts due from customers on construction contracts	**59,109**	40,207
Inventories	**442,735**	408,379
Prepaid expenses and deposits	**50,391**	63,602
	1,246,806	1,159,358
OTHER ASSETS (Note 7)	**139,881**	133,725
CAPITAL ASSETS	**1,714,652**	1,571,067
RIGHT OF USE ASSETS	**162,495**	170,099
INTANGIBLE ASSETS	**318,199**	332,362
GOODWILL	**732,418**	713,196
	$ 4,314,451	$ 4,079,807
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	**$ 450,664**	$ 461,917
Income taxes payable	**10,070**	7,274
Deferred revenue	**85,095**	71,281
Amounts due to customers on construction contracts	**41,326**	41,300
Current portion of convertible debentures (Note 9)	**78,986**	-
Current portion of right of use lease liability	**41,372**	36,866
	707,513	618,638
OTHER LONG-TERM LIABILITIES	**31,269**	33,607
LONG-TERM DEBT (Note 8)	**1,629,941**	1,422,642
CONVERTIBLE DEBENTURES (Note 9)	**328,979**	403,775
LONG-TERM RIGHT OF USE LEASE LIABILITY	**132,376**	143,288
DEFERRED INCOME TAX LIABILITY	**211,268**	212,384
	3,041,346	2,834,334
EQUITY		
SHARE CAPITAL (Note 10)	**1,274,661**	1,252,890
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	**13,979**	13,979
CONTRIBUTED SURPLUS	**16,635**	16,635
DEFERRED SHARE PLAN	**17,775**	16,756
RETAINED EARNINGS		
Cumulative Earnings	**893,249**	800,188
Cumulative Dividends	**(968,229)**	(874,380)
Cumulative impact of share cancellation under the NCIB	**(26,122)**	(26,122)
	1,221,948	1,199,946
ACCUMULATED OTHER COMPREHENSIVE INCOME	**51,157**	45,527
	1,273,105	1,245,473
	$ 4,314,451	$ 4,079,807

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2024**	2023	**2024**	2023
REVENUE				
Aerospace & Aviation	**$ 433,483**	$ 414,693	**$ 1,228,919**	$ 1,112,983
Manufacturing	**276,373**	272,980	**743,281**	728,756
	709,856	687,673	**1,972,200**	1,841,739
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**234,989**	251,076	**713,267**	688,213
Manufacturing expenses - excluding depreciation and amortization	**197,014**	192,594	**549,563**	522,776
General and administrative	**84,939**	76,252	**248,360**	218,846
	516,942	519,922	**1,511,190**	1,429,835
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**192,914**	167,751	**461,010**	411,904
Depreciation of capital assets	**64,707**	54,106	**181,806**	151,646
Amortization of intangible assets	**5,538**	5,638	**16,709**	15,867
Finance costs - interest	**34,225**	29,262	**95,743**	83,139
Depreciation of right of use assets	**10,276**	10,561	**29,669**	27,267
Interest expense on right of use lease liabilities	**2,044**	2,077	**6,076**	5,406
Acquisition costs	**1,549**	1,631	**4,098**	5,599
Other (Note 5)	**-**	-	**-**	(951)
EARNINGS BEFORE INCOME TAXES	**74,575**	64,476	**126,909**	123,931
INCOME TAX EXPENSE				
Current	**11,587**	10,902	**33,320**	23,801
Deferred	**7,103**	4,051	**528**	6,850
	18,690	14,953	**33,848**	30,651
NET EARNINGS	**$ 55,885**	$ 49,523	**$ 93,061**	$ 93,280
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 1.18**	$ 1.06	**$ 1.96**	$ 2.11
Diluted	**$ 1.08**	$ 0.99	**$ 1.92**	$ 2.04

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	**2024**	2023	**2024**	2023
NET EARNINGS	**$ 55,885**	$ 49,523	**$ 93,061**	$ 93,280
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, for the three months ended and for the nine months ended	**(10,308)**	14,803	**14,903**	(1,157)
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	**2,675**	(4,179)	**(3,709)**	280
Net gain (loss) on hedge of restricted share plan, net of tax expense (recovery) for the three months ended September 30 of $476 and ($638), respectively and net of tax expense (recovery) for the nine months ended September 30 of $503 and ($849), respectively	**1,325**	(1,771)	**1,395**	(2,358)
Net gain (loss) on interest rate swap, net of tax expense (recovery) for the three months ended September 30 of ($2,614) and $611, respectively and net of tax expense (recovery) for the nine months ended September 30 of ($2,527) and $4,007, respectively	**(7,252)**	1,749	**(6,959)**	11,168
	(13,560)	10,602	**5,630**	7,933
COMPREHENSIVE INCOME	**$ 42,325**	$ 60,125	**$ 98,691**	$ 101,213

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Retained Earnings: Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)	**Total**
Balance, January 1, 2023	$ 1,019,772	$ 14,017	$ 16,635	$ 15,791	$ 677,881	$ (759,792)	$ (26,122)	$ 60,872	$ 1,019,054
Shares issued to acquisition vendors	27,388	-	-	-	-	-	-	-	27,388
Prospectus offering	167,067	-	-	-	-	-	-	-	167,067
Convertible debentures									
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**
Balance, January 1, 2024	$ 1,252,890	$ 13,979	$ 16,635	$ 16,756	$ 800,188	$ (874,380)	$ (26,122)	$ 45,527	**$ 1,245,473**
Shares issued to acquisition vendors	2,992	-	-	-	-	-	-	-	**2,992**
Shares issued under dividend reinvestment plan (Note 10)	15,909	-	-	-	-	-	-	-	**15,909**
Shares issued under Indigenous community partnership agreements	350	-	-	-	-	-	-	-	**350**
Deferred share plan vesting (Note 14)	-	-	-	1,307	-	-	-	-	**1,307**
Deferred share plan issuance (Note 10)	288	-	-	(288)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	2,232	-	-	-	-	-	-	-	**2,232**
Comprehensive income	-	-	-	-	93,061	-	-	5,630	**98,691**
Dividends declared (Note 11)	-	-	-	-	-	(93,849)	-	-	**(93,849)**
Balance, September 30, 2024	**$ 1,274,661**	**$ 13,979**	**$ 16,635**	**$ 17,775**	**$ 893,249**	**$ (968,229)**	**$ (26,122)**	**$ 51,157**	**$ 1,273,105**

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	**2024**	2023	**2024**	2023
OPERATING ACTIVITIES				
Net earnings for the period	**$ 55,885**	$ 49,523	**$ 93,061**	$ 93,280
Items not affecting cash:				
Depreciation of capital assets	**64,707**	54,106	**181,806**	151,646
Amortization of intangible assets	**5,538**	5,638	**16,709**	15,867
Depreciation of right of use assets	**10,276**	10,561	**29,669**	27,267
Accretion of interest	**1,815**	1,800	**5,190**	5,242
Gain on disposal of capital assets	**(863)**	(1,458)	**(4,286)**	(4,336)
Deferred income tax expense	**7,103**	4,051	**528**	6,850
Deferred share program share-based vesting	**441**	398	**1,307**	1,104
Other	**-**	-	**-**	(951)
	144,902	124,619	**323,984**	295,969
Changes in non-cash current and long-term working capital (Note 16)	**(19,931)**	(7,362)	**(107,507)**	(112,500)
	124,971	117,257	**216,477**	183,469
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**89,678**	99,019	**217,901**	368,425
Repayment of long-term debt (Note 8)	**(15,318)**	(45,545)	**(29,205)**	(252,482)
Long-term debt discount	**-**	87	**1,598**	(1,157)
Principal payments on right of use lease liabilities	**(10,203)**	(9,072)	**(28,701)**	(26,457)
Issuance of shares, net of issuance costs	**5,761**	5,686	**18,540**	181,109
Cash dividends (Note 11)	**(31,403)**	(29,369)	**(93,849)**	(83,983)
	38,515	20,806	**86,284**	185,455
INVESTING ACTIVITIES				
Purchase of capital assets	**(165,124)**	(133,451)	**(362,471)**	(347,032)
Proceeds from disposal of capital assets	**17,647**	10,073	**44,423**	24,689
Purchase of intangible assets	**(618)**	(539)	**(1,691)**	(2,132)
Investment in other assets	**(4,595)**	(2,879)	**(6,355)**	(4,084)
Cash outflow for acquisitions, net of cash acquired	**-**	-	**(16,484)**	(112,101)
Payment of contingent acquisition consideration and prior period working capital settlements	**-**	-	**(5,990)**	(3,749)
	(152,690)	(126,796)	**(348,568)**	(444,409)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**10,796**	11,267	**(45,807)**	(75,485)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**48,834**	50,558	**103,559**	139,896
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,042)**	2,368	**836**	(218)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 58,588**	$ 64,193	**$ 58,588**	$ 64,193
Supplementary cash flow information				
Interest paid	**$ 35,229**	27,719	**90,077**	82,717
Income taxes paid	**$ 6,713**	263	**30,163**	14,742

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

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

1. ORGANIZATION

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

As at September 30, 2024, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd. ("Carson Air"), Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, Northern Mat & Bridge LP ("Northern Mat"), Hansen Industries Ltd. ("Hansen"), BVGlazing Systems Ltd. ("BVGlazing"), DryAir Manufacturing Corporation ("DryAir"), and Armand Duhamel & Fils Inc. ("Duhamel"). Regional One, Inc., Quest USA Inc., Stainless Fabrication Inc., and Crew Training International, Inc., are wholly owned subsidiaries of EIIF Management USA Inc. Through the Corporation's subsidiaries, products and services are provided in two business segments: Aerospace & Aviation and Manufacturing.

The Corporation's results are impacted by seasonality factors. The Aerospace & Aviation segment revenues have historically been the strongest in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. Northern Mat's business is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest. In addition, DryAir contributes all of its operating profit before depreciation, amortization, finance costs and other in the third and fourth quarters of the year with the first two quarters historically generating negative operating profit before depreciation, amortization, finance costs and other.

2. BASIS OF PREPARATION

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

In accordance with IFRS Accounting Standards, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2023. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on November 7, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements. Note 3 of the Corporation's 2023 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies, except as noted below.

The Corporation adopted the amendments to IAS 12 – *Income Taxes* introduced in May 2023, and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). In June 2024, Canada enacted its Pillar Two legislation which is effective for the Corporation January 1, 2024. The Pillar Two legislation did not have a material impact on the consolidated financial statements.

In April 2024, the IASB issued IFRS 18 – *Presentation and Disclosure in Financial Statements*, which will replace IAS 1 – *Presentation of Financial Statements* and will be accompanied by narrow scope amendments to IAS 7 – *Statement of Cash Flows*. IFRS 18 will introduce a defined structure for the statement of profit or loss and add disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. The standard will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact adoption of IFRS 18 will have on its consolidated financial statements.

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions are reassessed each period end after the related acquisition. The carrying value of the liability is based on an estimate of both the amount of the potential payment and probability that the earn out will be paid. During the period, there was no change in the estimated liability for additional purchase consideration (2023 - $951 recovery).

6. ACQUISITIONS

Armand Duhamel & Fils Inc.

On June 21, 2024, the Corporation acquired the shares of Armand Duhamel & Fils Inc ("Duhamel"). Duhamel, located in St-Ignace-de-Stanbridge, Quebec, operates a sawmill operation that focuses on the manufacture and sale of eastern hemlock products.

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

Consideration given:		
Cash	$	16,500
Issuance of 67,828 shares of the Corporation at $44.23 per share		3,000
Contingent consideration - earn out		2,572
Total purchase consideration	**$**	**22,072**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments, plus a multi-year earn out if certain targets are met during a three-year period beginning July 1, 2024. The maximum earnout that could be achieved by the vendors is $3 million. The preliminary purchase price allocation is expected to be finalized in 2024 when the final settlement of working capital and other post closing adjustments occur. The purchase price included Net Working Capital of $5 million, Capital Assets of $1.9 million, and Goodwill of $16 million.

Spartan Mat LLC and Spartan Composites LLC

On November 7, 2024, the Corporation announced the acquisition of Spartan Mat LLC, and Spartan Composites LLC ("Spartan") for US $120 million, including purchase price consideration of US $18 million in EIC common shares, subject to customary post closing adjustments. The acquisition is expected to formally close within a week (Note 17).

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

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		September 30 2024		December 31 2023
Long-term prepaid expenses and security deposits	$	5,444	$	4,273
Long-term receivables		2,128		894
Equity method investments		118,583		114,528
Other investments - Fair value through OCI (Note 15)		10,419		6,718
Derivative financial instruments - Fair value through profit and loss (Note 15)		3,307		7,312
Total other assets	$	139,881	$	133,725

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at September 30, 2024, and December 31, 2023:

		September 30 2024		December 31 2023
Revolving term facility:				
Canadian dollar amounts drawn	$	362,900	$	540,000
United States dollar amounts drawn (US$941,277 and US$670,675 respectively)		1,270,630		887,035
Total credit facility debt outstanding, principal value		1,633,530		1,427,035
less: unamortized transaction costs		(3,589)		(2,794)
less: unamortized discount on outstanding Banker's Acceptances		-		(1,599)
Long-term debt	$	1,629,941	$	1,422,642

The Corporation's credit facility is secured by a general security agreement over the assets of the Corporation, subject to customary terms, conditions, covenants, and other provisions, and includes both financial and negative covenants. The Corporation is in compliance with all financial and negative covenants as at September 30, 2024.

Interest expense recorded by the Corporation during the three and nine months ended September 30, 2024 for long-term debt was $27,088 and $74,457 (2023 – $22,196 and $62,097 respectively).

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

On October 30, 2024, subsequent to the end of the quarter, the Corporation, at its option, reallocated US $100 million from the Corporation's Canadian head office to EIIF Management USA Inc. There was no change to the overall commitment to the consolidated group under the credit facility. This reallocation was completed in preparation for the closing of the purchase of Spartan (Note 17).

<u>Credit Facility</u>

The following is the continuity of long-term debt for the nine months ended September 30, 2024:

										Nine Months Ended September 30, 2024
		Opening		Withdrawals		Repayments		Exchange Differences		Ending
Credit facility amounts drawn										
Canadian dollar amounts	$	540,000	$	160,800	$	(337,900)	$	-	$	362,900
United States dollar amounts		887,035		382,890		(15,306)		16,011		1,270,630
	$	1,427,035							$	1,633,530

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.

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

9. CONVERTIBLE DEBENTURES

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

Summary of the debt component of the convertible debentures:

	2024 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2024 Balance, End of Period
Unsecured Debentures - 2018	$ 78,301	$ -	$ 685	$ -	$ -	$ 78,986
Unsecured Debentures - 2019	84,737	-	422	-	-	85,159
Unsecured Debentures - July 2021	139,465	-	622	-	-	140,087
Unsecured Debentures - December 2021	111,292	-	484	-	-	111,776
						416,008
less: unamortized transaction costs						(8,043)
Convertible Debentures - Debt Component, end of period						$ 407,965
less: current portion						78,986
Convertible Debentures - Debt Component (long-term portion)						328,979

During the nine months ended September 30, 2024, convertible debentures with a total face value of $nil were converted by the holders at various times into nil shares of the Corporation (2023 – $973 and 19,828 shares).

Interest expense recorded during the three and nine months ended September 30, 2024, for the convertible debentures was $7,137 and $21,286 respectively (2023 – $7,067 and $21,042 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 2024	December 31 2023
Unsecured Debentures - 2018	3,835	3,835
Unsecured Debentures - 2019	2,491	2,491
Unsecured Debentures - July 2021	4,240	4,240
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 13,979	$ 13,979

All convertible debentures outstanding at September 30, 2024, represent direct unsecured debt obligations of the Corporation.

On March 14, 2024, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at March 5, 2024. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 19, 2024 and ending on March 18, 2025. Daily purchases will be limited to $646 principal amount of Debentures (June 2018), $711 principal amount of Debentures (March 2019), $1,212 principal amount of Debentures (July 2021) and $1,628 principal amount of Debentures (December 2021), other than block purchase exemptions.

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

During the nine months ended September 30, 2024, 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, 2024, are as follows:

	Number of Shares	2024 Amount
Share capital, beginning of period	**47,136,625**	**$ 1,252,890**
Issued under dividend reinvestment plan	**351,130**	**15,909**
Issued under employee share purchase plan	**47,371**	**2,232**
Issued under deferred share plan	**15,084**	**288**
Issued under Indigenous community partnership agreements	**7,603**	**350**
Shares issued to Armand Duhamel & Fils Inc. vendors on closing (Note 6)	**67,828**	**2,992**
Share capital, end of period	**47,625,641**	**$ 1,274,661**

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

During the nine months ended September 30, 2024, the Corporation did not make any purchases under its common share NCIB and therefore has the full 4,414,853 shares available for repurchase.

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

Month	Record date	Per Share	2024 Dividends Amount	Record date	Per Share	2023 Dividends Amount
January	January 31, 2024	**$ 0.22**	**$ 10,380**	January 31, 2023	$ 0.21	$ 8,927
February	February 29, 2024	**0.22**	**10,389**	February 28, 2023	0.21	8,933
March	March 29, 2024	**0.22**	**10,402**	March 31, 2023	0.21	8,945
April	April 30, 2024	**0.22**	**10,410**	April 28, 2023	0.21	8,968
May	May 31, 2024	**0.22**	**10,419**	May 31, 2023	0.21	9,067
June	June 28, 2024	**0.22**	**10,446**	June 30, 2023	0.21	9,774
July	July 31, 2024	**0.22**	**10,457**	July 31, 2023	0.21	9,781
August	August 30, 2024	**0.22**	**10,468**	August 31, 2023	0.21	9,789
September	September 27, 2024	**0.22**	**10,478**	September 29, 2023	0.21	9,799
Total		**$ 1.98**	**$ 93,849**		$ 1.89	$ 83,983

After September 30, 2024, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.22 per share for October 2024.

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

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 and leases aircraft, engines, and sells 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 rise buildings. In addition, the segment has in-house access mat manufacturing capabilities and rents and sells these solutions to customers.

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

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

	Three Months Ended September 30, 2024			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 433,483	$ 276,373	$ -	$ 709,856
Expenses	278,264	225,326	13,352	516,942
Adjusted EBITDA	155,219	51,047	(13,352)	192,914
Depreciation of capital assets				64,707
Amortization of intangible assets				5,538
Finance costs - interest				34,225
Depreciation of right of use assets				10,276
Interest expense on right of use lease liabilities				2,044
Acquisition costs				1,549
Earnings before income taxes				74,575
Current income tax expense				11,587
Deferred income tax expense				7,103
Net Earnings				$ 55,885

(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

	Nine Months Ended September 30, 2024			
	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
Revenue	**$ 1,228,919**	**$ 743,281**	**$ -**	**$ 1,972,200**
Expenses	**845,265**	**630,157**	**35,768**	**1,511,190**
Adjusted EBITDA	**383,654**	**113,124**	**(35,768)**	**461,010**
Depreciation of capital assets				**181,806**
Amortization of intangible assets				**16,709**
Finance costs - interest				**95,743**
Depreciation of right of use assets				**29,669**
Interest expense on right of use lease liabilities				**6,076**
Acquisition costs				**4,098**
Earnings before income taxes				**126,909**
Current income tax expense				**33,320**
Deferred income tax expense				**528**
Net Earnings				**$ 93,061**

(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

For the period ended September 30, 2024	**Aerospace & Aviation**	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 2,793,093**	**$ 1,430,746**	**$ 90,612**	**$ 4,314,451**
Net capital asset additions	**294,903**	**22,750**	**395**	**318,048**

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

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

Revenues

The following table provides disaggregated information about revenue from contracts with customers. Management believes that disaggregation by type of sale is most appropriate. The purpose of this disclosure is to provide information about the nature of the Corporation's contracts and the timing, amount, and uncertainties associated with customer contracts.

		Three Months Ended		**Nine Months Ended**	
Revenue Streams	Periods ended September 30	**2024**	2023	**2024**	2023
Aerospace & Aviation Segment					
Sale and lease of goods - point in time		**$ 97,508**	$ 110,185	**$ 272,978**	$ 262,019
Sale of services - point in time		**290,725**	257,316	**815,120**	708,963
Sale of services - over time		**45,250**	47,192	**140,821**	142,001
Manufacturing Segment					
Sale and lease of goods - point in time		**68,581**	65,428	**193,828**	193,725
Sale of services - point in time		**39,084**	27,096	**63,678**	73,828
Sale of goods and services - over time		**168,708**	180,456	**485,775**	461,203
Total revenue		**$ 709,856**	$ 687,673	**$ 1,972,200**	$ 1,841,739

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

13. EARNINGS PER SHARE

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

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

The computation for basic and diluted earnings per share for the three and nine months ended September 30, 2024 and the comparative for the 2023 period are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2024**	2023	**2024**	2023
Net earnings	**$ 55,885**	$ 49,523	**$ 93,061**	$ 93,280
Effect of dilutive securities				
Convertible debenture interest	**5,245**	5,194	**8,467**	11,520
Diluted Net Earnings	**$ 61,130**	$ 54,717	**$ 101,528**	$ 104,800
Basic weighted average number of shares	**47,558,365**	46,599,044	**47,371,859**	44,270,149
Effect of dilutive securities				
Deferred Shares	**965,063**	887,572	**965,063**	887,572
Convertible debentures	**8,027,090**	8,027,601	**4,483,852**	6,120,424
Diluted basis weighted average number of shares	**56,550,518**	55,514,217	**52,820,774**	51,278,145
Net Earnings per share:				
Basic	**$ 1.18**	$ 1.06	**$ 1.96**	$ 2.11
Diluted	**$ 1.08**	$ 0.99	**$ 1.92**	$ 2.04

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the nine months ended September 30, 2024, the Corporation granted 40,339 (2023 – 36,795) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,903 (2023 – $1,894) 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, 2024, the Corporation recorded a compensation expense of $441 and $1,307 respectively (2023 – $399 and $1,104 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, 2024, the Corporation granted 191,653 (2023 – 233,729) restricted shares to certain personnel. The fair value of the restricted share units granted was $8,779 (2023 – $11,689) 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, 2024, the Corporation recorded compensation expense of $2,528 and $6,815 respectively (2023 – $1,954 and $5,517 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, 2024, employees acquired 47,371 shares from treasury at a weighted average price of $47.12 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 $774 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, 2023, audited consolidated financial statements.

Market Risk

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

Currency Risk

The Corporation has US $941,277 or $1,270,630 (December 31, 2023 – US $670,675 or $887,035) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $212,877 (December 31, 2023 – US $189,575) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation's investment in those subsidiaries with US dollar functional currencies are hedged partially by US $148,600 (December 31, 2023 – US $140,000) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary's net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the period, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at September 30, 2024, was a financial liability of $4,883 (December 31, 2023 – financial liability of $12,326). At September 30, 2024, the notional value of the swaps outstanding is US $576,500 (December 31, 2023 – US $337,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $4,883 was reclassified from other comprehensive income (December 31, 2023 – $12,326).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 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, Canadian Overnight Repo Rate Average ("CORRA"), or the Secured Overnight Financing Rate ("SOFR"). At September 30, 2024:

- US $939,000 (December 31, 2023 – US $668,900) was outstanding under SOFR;
- US $2,277 (December 31, 2023 – US $1,775) was outstanding under US Prime; and
- $362,900 (December 31, 2023 – $540,000) was outstanding under CORRA.

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:

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

These derivative financial instruments hedge the exposure to variability in cash flow associated with the future payment of interest on CORRA 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 liability of $2,174 (December 31, 2023 – other long-term financial asset of $7,312) 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 2022, 2023 and 2024 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualify as cash flow hedges. On a combined basis, the initial grant date fair value for the 2022, 2023 and 2024 programs was $27,220. The fair value of the instruments are recorded in long-term financial asset of $3,307 (December 31, 2023 – long-term financial liability of $445) 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, 2024**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Restricted Share Plan Hedge - Financial asset at fair value through profit and loss (Note 7)	$ 3,307	$ -	$ 3,307	$ -
Other long-term assets - Fair value through OCI (Note 7)	10,419	-	-	10,419
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(6,652)	-	-	(6,652)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(4,883)	-	(4,883)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(2,174)	-	(2,174)	-
Fair Value Disclosures				
Other assets - Amortized cost	5,416	-	5,416	-
Long-term debt - Amortized cost	(1,629,941)	-	-	(1,633,530)
Convertible debt - Amortized cost	(407,965)	(445,950)	-	-

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

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	December 31, 2023	Level 1	Level 2	Level 3
Financial Assets				
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	7,312	-	7,312	-
Other long-term assets - Fair value through OCI (Note 7)	6,718	-	-	6,718
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(10,384)	-	-	(10,384)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(12,326)	-	(12,326)	-
Other long term liabilities - Restricted Share Plan Derivative - Financial liability at fair value through profit and loss	(445)	-	(445)	-
Fair Value Disclosures				
Other assets - Amortized cost	3,563	-	3,563	-
Long-term debt - Amortized cost	(1,422,642)	-	-	(1,427,035)
Convertible debt - Amortized cost	(403,775)	(411,151)	-	-

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

The following table summarizes the changes in the consideration liabilities recorded on the acquisitions of Northern Mat, BVGlazing, DryAir and Duhamel 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	**2024**	2023
Opening balance	**$ 10,384**	$ 4,700
Change in estimate	**(314)**	(951)
Acquisition of BVGlazing	**-**	11,136
Acquisition of DryAir	**-**	6,304
Acquisition of Duhamel (Note 6)	**2,572**	-
Settled during the period	**(5,990)**	(10,805)
Ending balance	**$ 6,652**	$ 10,384

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

Financial Instrument Fair Value Disclosures

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

As at September 30, 2024, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 5.0%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's creditworthiness.

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

As at September 30, 2024, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $445,950 (December 31, 2023 - $411,151) with a carrying value of $407,965 (December 31, 2023 - $403,775).

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

16. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three and nine months ended September 30, 2024, and the comparative period in 2023 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2024**	2023	**2024**	2023
Accounts receivable, including long-term portion	**$ (63,064)**	$ (44,453)	**$ (88,968)**	$ (39,941)
Amounts due from customers on construction contracts	**1,713**	(1,340)	**(18,638)**	(14,674)
Inventories	**(10,835)**	5,510	**(21,450)**	(37,152)
Prepaid expenses and deposits, including long-term portion	**13,241**	22,372	**13,706**	26,230
Accounts payable and accrued expenses, including long-term portion	**31,030**	10,992	**(8,202)**	(56,044)
Income taxes receivable/payable	**4,983**	10,948	**2,738**	8,895
Deferred revenue, including long-term portion	**(2,922)**	1,741	**13,695**	12,403
Amounts due to customers on construction contracts	**5,923**	(13,132)	**(388)**	(12,217)
Net change in working capital	**$ (19,931)**	$ (7,362)	**$ (107,507)**	$ (112,500)

17. SUBSEQUENT EVENTS

Province of Newfoundland and Labrador Integrated Ambulance Services Contract Award

On October 3, 2024, the Corporation announced it was the successful bidder to provide integrated fixed-wing and rotary air ambulance services for the Province of Newfoundland and Labrador. The tendered 10-year contract with a 5-year renewal requires a fleet of up to 6 aircraft. The aircraft are expected to be phased into service with the first aircraft going into service during the first half of 2025.

Airborne Intelligence, Surveillance and Reconnaissance Support Contract Award

On October 30, 2024, the Corporation announced PAL Aerospace was awarded a new 15-month contract to provide airborne intelligence, surveillance and reconnaissance support to a domestic security agency in an allied European nation. The new contract follows an initial contract that saw the deployment of ISR aircraft and expands PAL Aerospace's contribution to the agency's enhancement of border security, combat transnational crime and protect vulnerable individuals from exploitation by migrant smugglers. Expanded in scope, this contract will see PAL Aerospace deploy a second aircraft during 2025 and additional technical capabilities to augment their existing operation.

Extension of Nunavut Medevac Contracts

Subsequent to the end of the quarter, the Corporation extended its contracts to service the three separate regions of Nunavut into 2026. These contract extensions included price increases to reflect above inflationary cost escalation in the business since the last contract was signed.

Acquisition of Spartan Mat LLC and Spartan Composites LLC

On November 7, 2024, the Corporation announced the acquisition of Spartan Mat LLC, and Spartan Composites LLC for US $120 million, including purchase price consideration of US $18 million in EIC common shares, subject to customary post closing adjustments. The acquisition is expected to formally close within a week. Spartan, located in Rockledge, Florida is one of three manufacturers of composite access mats in the United States.