

Year End Report

For the year ended

December 31, 2025

Chairman’s Message

Resilient Foundation, Dependable Results and Accelerating Growth.

Our business strategy was developed a little over 20 years ago and that strategy is as relevant now as ever. It is a relatively simple strategy with a focus on the essentials; prudent debt and capital management, free cash flow, long-term focus, growth capital investments which unlock subsidiary management’s entrepreneurial spirit, disciplined mergers and acquisitions and a stable and growing dividend. Our business model has resulted in EIC assembling a dependable and resilient group of diversified businesses with accelerating growth opportunities long into the future.

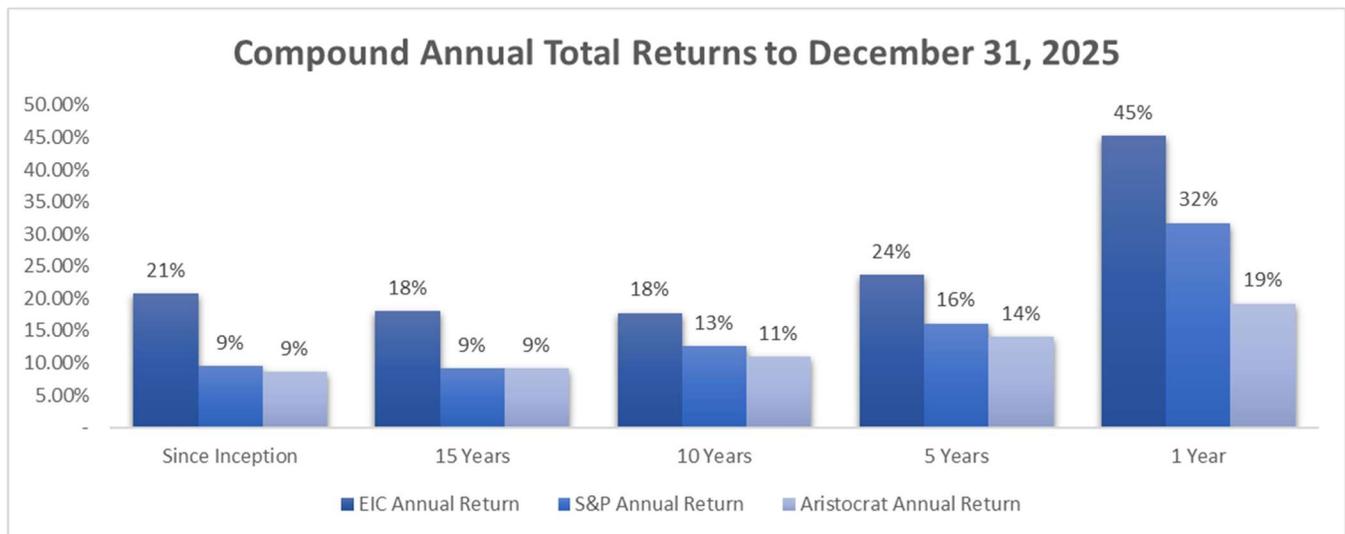
These principles are distilled into the purpose of our Corporation, which has stayed consistent since our inception in 2004, and continue to guide us. Our goal was to provide our shareholders with stable and growing cash distributions by maximizing share value associated with our portfolio of subsidiaries and employing a disciplined acquisition strategy.

The commitment to those fundamental principles has resulted in record results along with incredibly strong returns to our shareholders as we surpassed a share market capitalization of over \$5.5 billion as of the date of this report. Such accomplishments could not have occurred without our dedicated and talented management teams and employees who are part of the EIC family and make each of our companies incredibly successful. I also wanted to say thank you to my fellow board members who are passionate in their leadership of EIC and ensure that we continue to champion the principles upon which we were founded. EIC is set up to continue to generate incredible returns for our shareholders as our businesses are at the intersection of several thematics in both the short term and long term.

These record results are part of the story of our Corporation but they are far from the whole story. As a Board we continue to focus on the benefits that our business provides for all our stakeholders whether it be our shareholders, our employees, the communities we serve and the broader environment.

Our Shareholders

2025 was another year of incredibly strong returns generated on behalf of our shareholders, with annual returns generated in excess of 45%. When looking at any of the 1, 5, 10 or 15 year periods, the combination of dividends paid and share appreciation have generated total compounded annual returns for our shareholders that are far in excess of market returns. We are extremely proud of our track record of returning more than twenty percent per year compounded annual growth since inception.



The chart below demonstrates the total shareholder returns for EIC since inception compared to an investor in the S&P/TSX index. While a return of 614% in an index-based fund is impressive over a 20 plus year period, the EIC total shareholder return was a spectacular 5,798%, meaning that if an investor had invested \$1,000 at inception and reinvested their dividends that initial investment would have grown to approximately \$58,000. We are very proud of those returns generated for our shareholders and they demonstrate the success, resilience and dependability of our business model. The strategic initiatives executed during 2025 have positioned the Corporation for further long-term growth. We aim to own essential businesses with durable moats that convert cash into growing earnings, allocate that cash generated with discipline, and nurture subsidiary management’s entrepreneurial expertise.



Our Employees

During 2025, Canadian North and Newfoundland Helicopters joined the EIC family. Our employee group now stands at more than 9,000 individuals located across every province and territory in Canada, across several states in the US and on numerous other continents around the world. Each employee is critical to our collective success and their level of engagement and pride in being part of the EIC family has driven the record financial results. We continue to reinforce to our stakeholders how culture is fundamental to our success. Our businesses each have distinct cultures, yet they are bound together by shared values: teamwork, trust, passion, belonging, integrity, and ethical conduct.

Our employees also share in the success of EIC whether it be through individual subsidiary bonus plans or by participating in our Employee Share Purchase Plan. Approximately 20% of our eligible employees participate in our employee share purchase plan which is a testament to their sense of belonging to a larger purpose.

Our employees are also extremely active in the communities in which we operate. Numerous hours are volunteered with a variety of local and national charitable organizations, and our companies donate generously to causes within our communities through cash and in-kind donations of goods and services. Our employees volunteered over 10,000 hours of time for our annual Truth and Reconciliation event with the Winnipeg Blue Bombers football club which saw over 1,000 community members and youths attend the CFL game in late September of 2025. The event was a resounding success thanks in large part to our employees who dedicated their time and hospitality to all.

Our Communities that we Serve

Another source of pride at EIC is giving back to the communities we serve. Through community partnerships in our various business lines, we provide profit sharing, free and discounted services, and investment capital for local economic and social development projects. This concept was established with EIC's very first acquisition of Perimeter in 2004 and continues to this day throughout our business lines.

Our efforts continue to expand and impact individuals from northern and remote communities through the growth of our Atik Mason Indigenous Pilot Pathway program. We completed the fourth season of the Atik Mason Indigenous Pilot Pathway program and the second season in Rankin Inlet, Nunavut, which celebrated 12 program participants including the base's first ever program graduate from Nunavut. The most recent cohort of students, who attended the program in either Thompson, Goose Bay or Rankin Inlet, saw 28 students fulfill their dream of becoming a commercial pilot, starting their journey by accumulating flight hours that are necessary prior to joining our Essential Air Services business line as pilots. Between the northern bases this season, EIC operators provided 11 job offers to returning students, including 6 to Inuit students. The program has become an immense success and is continuing to expand with the number of students, graduates and pilots, continuing to grow as EIC continues to expand geographically and the communities we serve.

Collectively, through the Blue Bomber event, Community Partnership Agreements, and Atik Mason Indigenous Pilot Pathway, EIC has invested over \$5 million annually back into our Indigenous communities and partners. 2025 also marked the first time that additional corporate entities partnered with EIC for the 2025 Blue Bomber Truth and Reconciliation game, expanding the reach and profile of the event.

The Environment

EIC continues to focus on best practices and innovations to minimize its environmental footprint. Our business lines are at the forefront of being stewards of our environmental resources. Our Environmental Access Solutions business line is dedicated to the preservation of ecologically sensitive areas where industrial activity is occurring. Our Essential Air Services are a critical link between northern Indigenous communities and health care and supplies in the south. The aircraft that EIC flies are chosen because they are ideally suited to the conditions,

routes, terrain, and runways within those communities. While we are constantly evaluating new technologies, we remain steadfast in providing a safe and reliable mode of transportation for those who have no other means of transportation. The Corporation continues working with governments and experts in reducing emissions, however there is no imminent cost-effective solution as current supplies of sustainable aviation fuel are neither commercially sufficient nor economically viable. We continue to work with industry groups to find ways to minimize our impact on the environment and the natural habitats that are critical to the communities we serve.

Each of our subsidiaries has developed policies and procedures to track our scope 1 and 2 emissions. We computed our most material scope 3 emissions and reported on those emissions in 2025. We are actively evaluating ways to reduce our environmental impact at each of our businesses whether it be through more efficient equipment or upgrading our physical infrastructure. We are very proud of our achievements in being a leader in tracking and monitoring our impact on the environment.

In conclusion, the Board maintains a long-term focus and ensures we demonstrate a commitment to good governance and strong community and stakeholder relations to ensure the long-term sustainability of our businesses. Our purpose drives our strategy and the decisions that we make, however underpinning EIC's successes has always been one simple philosophy, you are never wrong when you do the right thing. Those commitments have not changed over the past 20 years and will not change in the future.

The Board is very proud of our record results. I am very proud of the culture that the Board and management continue to maintain. Our track record over the last two decades demonstrates how far we have come as an organization and illustrates the power of the EIC business model and its capability for the future. I personally want to thank all our stakeholders for their ongoing support, and I look forward to seeing many of you at our annual general and special meeting in May.

*Don Streuber, FCPA, FCA
Chairman, Board of Directors
Exchange Income Corporation*

CEO's Message

2025 has been a foundational year on many accounts for EIC. We set records for our key financial metrics, simplified our balance sheet capital structure, completed strategic acquisitions, executed on significant organic Growth Capital Expenditures made over the past number of years, and rewarded our shareholders with a dividend increase and significant appreciation in our share price. I will highlight some of those accomplishments throughout my message whilst looking forward to what it means for 2026 and beyond.

Highlights from EIC's 2025 Year

- Record Revenue of \$3.3 billion, an increase of \$618 million or 23%.
- Record Adjusted EBITDA of \$754 million which represents growth of \$126 million or 20%.
- Record Net Earnings of \$168 million compared to \$121 million in the prior year, an increase of \$46 million or 38%. Record basic and diluted earnings per share of \$3.20 and \$3.12, respectively.
- Record Adjusted Net Earnings of \$196 million compared to \$147 million. Record Adjusted Net Earnings per share of \$3.74.
- Free Cash Flow record of \$541 million compared to \$409 million, an increase of \$132 million or 32% along with record Free Cash Flow per share of \$10.36.
- Record Free Cash Flow less Maintenance Capital Expenditures of \$239 million compared to \$199 million, an increase of 20%, and record Free Cash Flow less Maintenance Capital Expenditures per share of \$4.58.
- Successful completion of the simplification of the capital structure of the Corporation as the last tranche of convertible debentures was redeemed in December 2025.
- Subsequent to year end announced the extension and expansion of the Senior Secured Credit Facility to \$3.5 billion while increasing the flexibility as the facility moved from a secured to unsecured facility.
- Announced an investment grade corporate credit rating subsequent to year end.

These successes were ultimately due to the disciplined adherence to our business model and our values which I will elaborate on in my message. Over the holidays, I reminisced and read through some of my past CEO messages. Our strategies and the core tenets of our business model have not changed. Continued fundamental execution of the business model is driving our successes which will continue to reward our stakeholders long into the future as our business model has stood the test of time. EIC has been a success story since its inception in 2004. The long-term performance of over 20% per annum returns for over 20 years and record financial metrics weren't the result of a single decision, one macro call or one big contract, rather it has been accomplished because of our discipline, our dependability, and our focus on our core principles since EIC's inception.

EIC buys essential niche businesses with competitive moats. We maintain the culture of those businesses and unleash the management team's entrepreneurial spirit to execute on growth initiatives, increasing the sustainable cash flow stream which has the knock-on effect of increasing their competitive advantages. This principle is evident in our acquisition of Canadian North. EIC has always been a believer in the importance of Northern Canada and the Arctic, even before that theme was popular. Strategically, the addition of Canadian North further cemented our status as the pre-eminent expert in Northern aviation, operating in every Northern region of Canada. The culture of Canadian North has fit very well with our other air operators, and we remain on target to meet our return thresholds by the end of fiscal 2026 based on our collective execution on several strategic initiatives. In the medium and longer-term, Canadian North further expands our competitive advantage in the North as its infrastructure and aircraft will allow EIC to continue to expand its Essential Air Services and Aerospace business lines. These opportunities will allow us to deploy Growth Capital Expenditures and compound the financial results at Canadian North and expand our Free Cash Flow stream in the long-term. While development and security of the North is a much talked about current goal for Canada, we know that our relationships with Northern governments, communities and peoples will continue to drive our results long into the future as the North has always been a focus of EIC.

We are firm believers that stable and sustainable demand beats exciting fleeting demand. Our collection of businesses illustrates that concept as they are underpinned by either long-term government and commercial contracts or inelastic demand curves due to the essential nature of their product or services. The stable, diversified and resilient cash flows have been a hallmark in our past as evidenced by our continued strong performance in periods of uncertainty.

Key Financial Metrics

We set records in all our key financial metrics on an absolute value and on a per share basis. I cannot overstate what a truly remarkable achievement this was as the weighted average number of shares increased by 10% due to the successful transformation of our capital structure further discussed below. The growth in our per share amounts is a testament to the growth of EIC and the strategic initiatives undertaken in the last number of years bearing fruit. That strength will continue into 2026 as evidenced by our guidance issued in the third quarter of 2025 coupled with recent announcements including the acquisition of Mach2 and the expansion and extension of the commercial agreement with Air Canada. The acquisition of Mach2 provides our Aircraft Sales & Leasing business with opportunities to utilize the data

from Mach2 and Canadian North's 737 fleet to expand into the world's largest aftermarket parts segment, the narrowbody and widebody commercial jet segment. We believe that the combination of Aircraft Sales & Leasing data infrastructure coupled with historical data obtained from Canadian North and Mach2 will allow for an opportunity to further scale and diversify the cash flows of the business line. Mach2 was the right cultural fit and its location, which is near our existing operations, will provide an opportunity for our management teams to work side by side and strategically identify the niche areas we want to develop and execute on. The expansion and extension of the commercial agreement with Air Canada is logical for our Essential Air Services as it is utilizing the Dash 8 Q-400, which is a staple in our existing fleet, the expanded routes are a geographic fit with our existing operations and infrastructure, and the contract extends our strong relationship with Air Canada.

Capital Structure

During the past year we executed on the successful transformation of our capital structure by redeeming all our outstanding convertible debentures with the significant majority converting into equity of the Corporation. The equity from the conversions combined with our strong operating performance has reduced aggregate leverage to the lowest level in more than a decade. Further, subsequent to year end, we announced the upsize and extension of our credit facility to \$3.5 billion along with the change from a secured to an unsecured facility. The management team worked diligently with the DBRS rating agency and received an investment grade credit rating in large part to our resilient cash flows and proven track record of our diversified business model. The investment grade credit rating provides the Corporation with financing options in being able to issue a long-term fixed rate bond. The potential issuance of a long-term bond would provide a permanent layer of fixed-rate long-term financing at favorable interest rates and would increase the available liquidity under our credit facility, giving us further flexibility to execute organic growth initiatives and accretive acquisitions over the next number of years. To be clear, the enhanced credit facility or a potential future bond offering does not mean that we are changing our conservative attitude on debt and leverage. Maintaining a strong balance sheet has always been and will continue to be a cornerstone of our business strategy.

Strategic Acquisitions

In 2025 we completed the strategic acquisition of Canadian North which further cemented our position as the foremost expert in Northern Aviation. Due to our strong relationship with the Government of Nunavut and our historical performance under existing contracts we executed a new Long-Term Air Service Agreement for the region. This acquisition and subsequent Long-Term Air Services Agreement is strategic as it provides a long-term relationship with the Government of Nunavut as well as provides us with ancillary opportunities for the development of the North having the infrastructure and capacity to execute upon Arctic security initiatives. The integration of the business is in-line with our initial plans developed during the due diligence process, and we are very happy with the progress being made by our various teams, which are comprised of employees from our existing air operators working alongside our Canadian North team members. The new Long-Term Air Service Agreement with the Government of Nunavut provides future certainty as pricing is modified on an annual basis, up or down, based on aviation specific inflation factors impacting our costs. Our team, including our Aircraft Sales & Leasing business line's team, are actively working with Canadian North to further invest in their fleet, whether it be through the modification of aircraft into combination passenger/cargo configurations or acquiring spare parts and engines to ensure reliability of the fleet long into the future. Lastly, significant progress has been made in modifying the cost structure of the underlying operations, including the renegotiation of supplier arrangements. The culture of Canadian North has been a perfect fit amongst our other air operators and the executive management teams of our subsidiaries have been sharing resources and best practices to optimize the operations of Canadian North. Collectively, we anticipate that we will meet our requisite return consistent with our other acquisitions later this year.

Subsequent to year end we announced the acquisition of Mach2 which is expected to materially accelerate our Aircraft Sales & Leasing business line's presence in the commercial narrow body and wide body aviation aftermarket. Our strategic acquisition of Canadian North expanded our fleet into the narrow body jet category with the addition of Boeing 737s. This provided our Aircraft Sales & Leasing business an opportunity to leverage Canadian North's 737 asset base, data, and market intelligence. The acquisition of Mach2 provides Regional One with the necessary commercial expertise, asset knowledge, customer relationships and inventory to jumpstart its expansion into narrow body aircraft, the largest segment of the aircraft parts market and will be a growth catalyst into the future.

We continue to apply our disciplined acquisition strategy and execute on strategic acquisitions that fit with our business purpose. Each of the acquisitions discussed are niche businesses and add to the existing competitive advantages of our businesses. They each have strong management teams and have the opportunity to grow and provide strong, stable cash flows long into the future while adding to the diversity and resilience of our business model.

Organic Growth Capital Investments

During 2025 we invested over \$300 million in Growth Capital Expenditures. Investment in Growth Capital Expenditures has been consistent with our business model since inception. We buy niche companies and further supercharge those businesses by investing in Growth Capital Expenditures to increase their Free Cash Flows. The decision to deploy capital in such cases requires the same level of rigorous analysis and disciplined adherence to our investment criteria as an acquisition. Business cases are prepared to ensure that the investments exceed quantitative thresholds coupled with qualitative considerations prior to their approval. Furthermore, after investment, key performance indicators are monitored by management teams to ensure that rates of return are achieved consistent with the original business case. Growth

Capital Expenditures undertaken during the year primarily related to the Aerospace & Aviation segment with investment in aircraft to expand Essential Air Services operations, new King Air aircraft to service the BCEHS medevac contract, investment in the lease portfolio in Aircraft Sales & Leasing, completion of the second ISR aircraft for the UK Home Office and completion of the King Air full motion simulator. Investments will drive Free Cash Flow less Maintenance Capital Expenditures returns into the foreseeable future, and they extend our competitive advantages at each of our business lines and contribute to the strong growth reflected in our 2026 guidance.

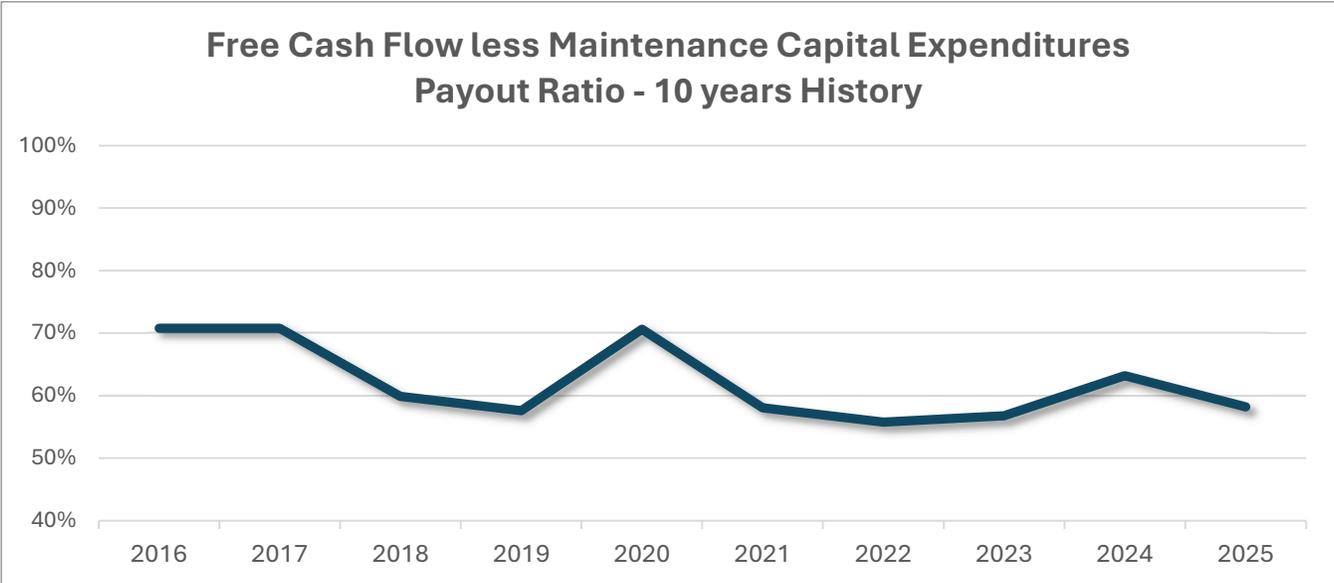
During 2025, we completed the installation of our full motion King Air simulator with regulatory approval to be received in early 2026. The completion marks an important milestone for our pilots. EIC has become one of the world's largest King Air fleet operators and the installation and operation of the simulators will allow us to provide the highest level of training for our pilots as they can simulate flying to the exact communities that we serve. This will provide real dollar cost savings, in addition to future third party revenues, whilst improving our training and safety for our pilots and passengers as well as reducing our carbon footprint. Furthermore, we completed the second aircraft for the UK Home Office contract and it started operations in the fourth quarter. With two aircraft servicing the UK Home Office the operational cadence has increased significantly and positions us well for the upcoming request for proposal to provide a longer-term solution for the UK government. Having two aircraft operating in the UK along with our other contracts with European nations will drive future demand for our unique ISR capabilities throughout other regions around the globe.

As we look forward, a number of Growth Capital Expenditures are underway including the building of a new state-of-the-art composite mat plant for the Environmental Access Solutions business line. The demand for the new System TXT mat has been robust since acquisition with virtually all our mats being sold as fast as they can be manufactured. The new System TXT's outstanding quality and industry leading durability has exceeded our own internal expectations and has been recognized by the market with the demand outpacing our manufacturing capability. This prompted the need to expand our production capacity as our composite mat is taking market share from competitors coupled with the broader composite matting industry replacing traditional wooden mat alternatives in the southern US. This growth initiative will allow us to execute our longer-term strategic priorities and will allow us to continue to scale the business and significantly increase the Free Cash Flows that the business line generates. We believe we are at the beginning of another strong period of growth for the entire Environmental Access Solutions business line due to the unique combination of demand from transmission and distribution, pipeline, renewable energy and oil & gas sectors.

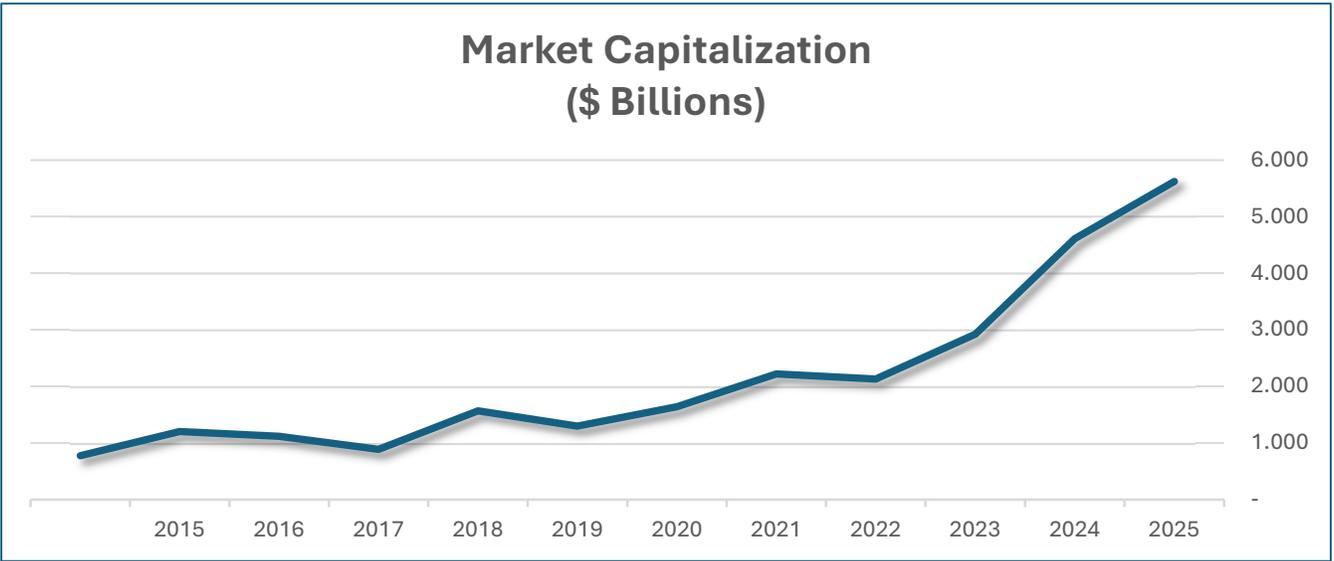
Our record key financial performance indicators reflect the accretive effects of our investments in Growth Capital Expenditures. Unlike acquisitions, which immediately impact key financial performance indicators, the investment in Growth Capital Expenditures often results in delays between the timing of the investment and the profitability impacts on the income statement and resultant cash flows. We are seeing the "fruits of past seeds sown" in our current year results, and prior and future investments will carry EIC long into the future.

Rewarding our Shareholders

Another of EIC main tenets is to provide its shareholders with a stable and growing dividend while reinvesting the excess cash in a disciplined fashion into the business through Growth Capital Expenditures and acquisitions which I previously touched on. During 2025, we announced our eighteenth dividend increase since 2004, and our dividend continues to grow at approximately a five percent rate per annum, which is quite an accomplishment. We are also proud of our disciplined capital allocation strategy which is driving our underlying profitability and in return rewarding our shareholders through increases in share price in addition to their dividend. We only increase our dividend when it's sustainable to do so and we anticipate that our dividend payout ratio will continue to decline as the returns on our investments accelerate and generate outsized returns compared to the dividend growth on an absolute dollar and per share basis. We anticipate continuing to grow our dividend in the future while simultaneously reducing the proportion of our free cash flow utilized for the dividend.



By utilizing excess cash flow to reinvest in a disciplined manner into our existing businesses and acquisitions we are achieving compounding of results based on prior investments made and profitability will continue to grow and drive our future share performance. The market recognizes our business model, our conservative capital structure, our long-term contracts and our niche business operations as evidenced by the growth in our market capitalization over the past 10 years.



Conclusion

I wanted to say a few words of appreciation for our employees, our management teams, our Board of Directors and our stakeholders. Firstly, to our employees, each of you are on the frontlines representing EIC daily and the success of the Corporation could not be achieved without your dedication, effort and commitment to our business model. To my management teams at Head Office and our subsidiaries, we have collectively executed upon numerous strategic initiatives which are readily apparent in our financial results. EIC has built an incredibly solid foundation with resilience, diversity and future opportunities for growth abound. We have achieved significant momentum these past few years and we are recognized for those efforts through our results and share price and for that I express my gratitude. To my Board of Directors, I sincerely appreciate your guidance and oversight. We continue to be driven by the purpose that we set out on the inception of EIC and our values and business models have not changed over the past 20 years. They will drive us forward into the next phase of growth over the next 20 years. Lastly, to our stakeholders. Whether you represent the communities we serve, our debt holders, or our shareholders, the next chapter of EIC is even more promising. We appreciate and thank you for the faith you have placed in us, and I can say without hesitation that we will work harder than ever to continue to reward that trust.

EIC has a resilient foundation generating dependable results with an accelerating growth profile. Our collective businesses show the importance of diversity, stable demand, the importance of culture and focus on long-term thinking and strategies. Founder-led cultures at our businesses drive entrepreneurial spirit and growth whilst retaining their autonomy and the ownership of the outcomes and strategy. EIC is a unique business model, and you have my commitment that we will continue to foster what makes us successful.

Cheers to an amazing 2025 and I look forward to continuing the EIC story.

Mike Pyle

Chief Executive Officer

Exchange Income Corporation

February 24, 2026

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Management Discussion & Analysis of Operating Results and Financial Position for the three months and year ended December 31, 2025

PREFACE

This Management's Discussion and Analysis ("MD&A") supplements the audited consolidated financial statements and related notes for the three months and year ended December 31, 2025 ("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 Consolidated Financial Statements of the Corporation for the year ended December 31, 2025. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB").

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 or investments and the potential impact of such completed and/or potential acquisitions or investments 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 at the time they are made, 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. 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 and/or social unrest; pandemic; level and timing of government spending; government-funded programs; environmental, social and governance; significant contracts and customers; operational performance and growth; laws, regulations and standards; acquisition risk (including receiving any requisite regulatory approvals thereof); 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; cybersecurity; 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; dividends; unpredictability and volatility of securities pricing; dilution risk; credit risk; credit rating; reliance on key personnel; employees and labour relations; and conflicts of interest. A further discussion of these risks is included in Section 12 – Risk Factors. For each of the foregoing reasons, readers are cautioned not to place undue reliance on forward-looking statements. 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.

Management Discussion & Analysis

of Operating Results and Financial Position for the three months and year ended December 31, 2025

EXCHANGE INCOME CORPORATION

The Corporation is a diversified, acquisition-oriented corporation focused on opportunities in the 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 business acquisitions that were completed in fiscal 2025 to reflect a full year contribution.

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, Northwest Territories, 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 45% of the Corporation's consolidated revenues in fiscal 2025. 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.

Essential Air Services includes the operations of Calm Air International LP, Canadian North (effective July 1, 2025), 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 9% of the Corporation's consolidated revenues in fiscal 2025. 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, aircraft and engine leasing and 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 14% of the Corporation's consolidated revenues in fiscal 2025. 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

Management Discussion & Analysis of Operating Results and Financial Position for the three months and year ended December 31, 2025

has the largest impact on margins. Within this business line, parts revenue is the most predictable and stable from both sales and margin perspectives; whereas the sales 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.

Subsequent to the end of the year, the Corporation completed the acquisition of Mach2. The results of Mach2 will be included in this business line going forward.

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 provides matting solutions in both Canada and the United States.

In Canada, Environmental Access Solutions is the largest provider of temporary access solutions, 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.

In the United States, Environmental Access Solutions is one of three manufacturers of composite access mats. While these composite mats are used for the same purposes as the wood mats in Canada, the composite mats are fully recyclable at the end of their useful lives, offering customers a lighter weight, sustainable alternative to traditional wood mats in climates and applications where the composite mats outperform wood mats.

Environmental Access Solutions accounted for approximately 9% of the Corporation's consolidated revenues in fiscal 2025. 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 raw materials 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 when compared to rental revenue.

Environmental Access Solutions includes the operations of Northern Mat and Bridge LP, and Spartan Composites 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 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 11% of the Corporation's consolidated revenues in fiscal 2025. 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, generates lower margins than for supply and install projects.

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

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 12% of the Corporation's consolidated revenues in fiscal 2025. 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,

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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.

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1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

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

FINANCIAL PERFORMANCE	2025			2024		
		per share basic	per share diluted		per share basic	per share diluted
<u>For the year ended December 31</u>						
Revenue	\$ 3,277,495			\$ 2,659,895		
Adjusted EBITDA ⁽¹⁾	754,372			628,064		
Net Earnings	167,520	\$ 3.20	\$ 3.12	121,235	\$ 2.55	\$ 2.49
Adjusted Net Earnings ⁽¹⁾	195,549	3.74	3.61	147,348	3.10	2.99
Free Cash Flow ⁽¹⁾	541,280	10.36	9.68	409,155	8.60	7.60
Free Cash Flow less Maintenance Capital Expenditures ⁽¹⁾	239,146	4.58	4.38	199,266	4.19	3.89
Dividends declared	139,868	2.66		125,888	2.64	
<u>Trailing Twelve months as at December 31</u>						
Adjusted Net Earnings payout ratio ⁽¹⁾		72%			85%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio ⁽¹⁾		58%			63%	
FINANCIAL POSITION						
	December 31, 2025			December 31, 2024		
Working capital	\$ 568,091			\$ 628,431		
Capital assets	2,356,976			1,824,607		
Total assets	5,261,677			4,598,988		
Long-term debt	2,174,685			1,821,866		
Equity	1,762,392			1,409,669		
SHARE INFORMATION						
	December 31, 2025			December 31, 2024		
Common shares outstanding	56,129,898			49,602,431		
	December 31, 2025			December 31, 2024		
Weighted average shares outstanding during the period - basic	52,270,015			47,582,612		

Note 1) As defined in Section 13 – Non-IFRS Financial Measures and Glossary.

SIGNIFICANT EVENTS

Early Redemption of Convertible Debentures

On February 13, 2025, the Corporation completed the early redemption of its 7 year, 5.75% convertible unsecured subordinated debentures due March 31, 2026. During the period, \$78 million par value was converted into 1,599,642 common shares at a price of \$49.00 per share. On February 13, 2025, the remaining outstanding principal amount of \$8 million was redeemed by the Corporation. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility.

On September 29, 2025, the Corporation completed the early redemption of its 7 year 5.25% convertible unsecured subordinated debentures due July 31, 2028. During the period, \$136 million par value was converted into 2,579,285 common shares at a price of \$52.70 per share. On September 29, 2025, the remaining outstanding principal amount of \$8 million was redeemed by the Corporation. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility.

On December 2, 2025, the Corporation completed the early redemption of its 7 year 5.25% convertible unsecured subordinated debentures due January 15, 2029. During the period, \$106 million par value was converted into 1,770,205 common shares at a price of \$60.00 per share. On December 2, 2025, the remaining outstanding principal amount of \$9 million was redeemed by the Corporation. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility.

Interim Rotary Wing Medevac Contract

During the first quarter of 2025, the Corporation was awarded a contract to provide a medevac helicopter to the Government of Newfoundland and Labrador for an interim period of twelve months. The contract began during the second quarter of 2025 while the new procurement process is being finalized.

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Acquisition of Canadian North

On February 24, 2025, the Corporation announced it had signed a binding purchase agreement to acquire Bradley Air Services Limited, operating as Canadian North, for a purchase price of \$205 million, subject to customary adjustments, inclusive of contingent consideration. Canadian North provides essential passenger and cargo services, using a combination of leased and owned Boeing 737 jets and ATR turboprops, to 24 remote Canadian Arctic communities in Nunavut and the Northwest Territories, from its southern gateways in Ottawa and Edmonton. Canadian North is also a provider of air charter services for large resource sector clients requiring dependable, efficient, and economical fly-in, fly-out charter services. Closing of the transaction was subject to obtaining required regulatory approvals and other customary closing conditions. On July 1, 2025, after receiving all required regulatory approvals, the Corporation completed its acquisition of Bradley Air Services, operating as Canadian North. The purchase price was funded by cash from the Corporation's credit facility and \$9 million of EIC common shares issued to the vendors.

Normal Course Issuer Bid ("NCIB")

On March 27, 2025, the Corporation renewed its NCIB for common shares. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 31, 2025, and ending on March 30, 2026. The Corporation can purchase a maximum of 4,811,929 shares and daily purchases will be limited to 26,182 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.

Credit Facility Upsize and Extension

On April 28, 2025, the Corporation amended its credit facility. The size of the enhanced credit facility availability increased to \$3.0 billion from approximately \$2.2 billion, and was extended to April 30, 2029, with no change in pricing. The credit facility includes \$2,412 million allocated to the Corporation's Canadian Head Office and US \$420 million allocated to EIIIF Management USA, Inc. The amount allocated to the Corporation's Canadian Head Office includes the continuation of the previously announced \$200 million social loan tranche. The increased size of the credit facility provides the Corporation with the highest level of available capital in its history, providing capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition. The upsize of the credit facility does not change our conservative view on leverage. Our total leverage ratio has remained consistent since our inception and even with the increased access to capital, our intention is to maintain our historical leverage profile going forward.

Acquisition of Newfoundland Helicopters Ltd.

On May 12, 2025, the Corporation completed the acquisition of Newfoundland Helicopters Ltd. for a purchase price of \$13.5 million, including purchase price consideration of \$1.4 million in EIC common shares, subject to customary post closing adjustments. Headquartered in Clarenville, Newfoundland and Labrador, Newfoundland Helicopters is a helicopter charter service founded in 2005, serving diverse sectors including healthcare, mining, construction, utilities and leisure. The Corporation's rotary wing business already has a presence in Newfoundland and Labrador, and when combined with PAL Airline's customer relationships, provides a compelling opportunity for growth and increased customer service in the region for our rotary wing business.

Long Term Air Service Agreement

On July 16, 2025, the Corporation announced an agreement with the Government of Nunavut for the provision of medical travel, family services travel, duty travel and less than load air freight for all of Nunavut. The agreement extends the provision of those services by Calm Air and Canadian North for 10 years with an option for the parties to extend the agreement for an additional 5 years. The Corporation has also granted the Government of Nunavut an option to purchase a non-controlling interest of Canadian North. The option is exercisable for one year from the date of the agreement, and would automatically extend the Long Term Air Service Agreement to 15 years.

SUBSEQUENT EVENTS

Credit Facility Upsize and Extension

On January 26, 2026, subsequent to the end of the year, the Corporation amended its credit facility. The size of the enhanced credit facility availability increased to \$3.5 billion from approximately \$3.0 billion, and was extended to January 26, 2030. The increased size of the credit facility provides the Corporation with the highest level of available capital in its history, providing capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition, and was completed with no change in pricing. The terms and conditions included within the facility are now more flexible than the Corporation's previous credit facility, including moving from a secured facility to an unsecured facility.

Acquisition of MnM Aircraft Component Holdings Inc.

On January 31, 2026, subsequent to the end of the year, the Corporation acquired MnM Aircraft Component Holdings, Inc ("Mach2") for a purchase price of US \$43 million, including purchase price consideration of US \$9 million in EIC common shares, subject to customary post

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closing adjustments. Located in Pompano Beach Florida, Mach2 participates in the commercial segment of the global used serviceable material market. The acquisition accelerates Regional One's presence in the commercial aviation aftermarket.

Investment Grade Credit Rating

On February 18, 2026, subsequent to the end of the year, the Corporation announced it had received an investment grade corporate credit rating from DBRS. The rating, BBB (low) with a stable outlook, provides the Corporation with the ability to access a new form of fixed rate capital in the corporate bond market in the future to fund its next stage of growth, and lower its overall cost of capital, compared to the use of convertible debentures, which were all redeemed in 2025.

2. ANNUAL RESULTS OF OPERATIONS

The following section analyzes the financial results of the Corporation for the year ended December 31, 2025, and the comparative 2024 year.

	Year Ended December 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office ⁽²⁾	Consolidated
Revenue	\$ 2,142,202	\$ 1,135,293	\$ -	\$ 3,277,495
Expenses ⁽¹⁾	1,512,380	951,310	59,433	2,523,123
Adjusted EBITDA	629,822	183,983	(59,433)	754,372
Depreciation of capital assets				310,899
Amortization of intangible assets				24,739
Finance costs – interest				121,677
Depreciation of right of use assets				49,279
Interest expense on right of use lease liabilities				9,905
Acquisition costs				9,703
Earnings before income taxes				228,170
Current income tax expense				34,065
Deferred income tax expense				26,585
Net Earnings				\$ 167,520
Net Earnings per share (basic)				\$ 3.20
Adjusted Net Earnings				\$ 195,549
Adjusted Net Earnings per share (basic)				\$ 3.74

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	Year Ended December 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office ⁽²⁾	Consolidated
Revenue	\$ 1,644,277	\$ 1,015,618	\$ -	\$ 2,659,895
Expenses ⁽¹⁾	1,120,199	862,954	48,678	2,031,831
Adjusted EBITDA	524,078	152,664	(48,678)	628,064
Depreciation of capital assets				247,846
Amortization of intangible assets				22,510
Finance costs – interest				129,748
Depreciation of right of use assets				40,059
Interest expense on right of use lease liabilities				8,113
Acquisition costs				6,860
Restructuring costs				4,944
Earnings before income taxes				167,984
Current income tax expense				40,318
Deferred income tax expense				6,431
Net Earnings				\$ 121,235
Net Earnings per share (basic)				\$ 2.55
Adjusted Net Earnings				\$ 147,348
Adjusted Net Earnings per share (basic)				\$ 3.10

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 13 – Non-IFRS Financial Measures and Glossary)

On a consolidated basis, the Corporation generated revenue of \$3.3 billion, an increase of \$618 million, or 23% over the prior year. The increase occurred in both of Corporation's segments, with the Aerospace & Aviation segment increasing by \$498 million over the prior year and the Manufacturing segment increasing by \$120 million over the prior year.

Adjusted EBITDA of \$754 million was generated by the Corporation during the year, an increase of \$126 million or 20% over the prior year. The increase was attributable to both segments, with the Aerospace & Aviation segment increasing by \$106 million over the prior year and the Manufacturing segment increasing by \$31 million over the prior year. Head Office costs increased by \$11 million over the prior year which is attributed to increased compensation expense, expenditures in information technology and cybersecurity, and the expansion of the Atik Mason Indigenous Pilot Pathway to a third location in Rankin Inlet.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by \$498 million or 30% to \$2.1 billion.

Revenue within Essential Air Services increased over the prior year. This increase is attributable to several factors. Newfoundland Helicopters was acquired on May 12, 2025 and Canadian North was acquired on July 1, 2025, for which there was no comparative in the prior period. Included in the increase attributed to Canadian North are significant charter revenues that contributed to the period over period increase. These charter revenues have a lower Adjusted EBITDA margin compared to the rest of the segment as discussed below. Improved yields and enhanced scope in multiple markets contributed to an increase in revenues for medevac operations. Fire suppression volumes within rotary wing operations also contributed to the increase in revenue, attributed both to the number of active fires during the year, as well as to an earlier start to fire suppression activity compared to the prior year. Scheduled services also contributed to the revenue increase despite Northern communities being temporarily displaced during the severe wildfire season during the second quarter and beginning of the third quarter. During the temporary displacement, these communities did not require scheduled services.

Revenue within Aircraft Sales & Leasing increased over the prior year. The increase is attributable to increases in large asset sales volumes, leasing activity in the period, and in parts sales. Large asset sales, which are generally higher dollar transactions and lower margin, can fluctuate period to period. These large asset sales are lumpy and reflect the monetization of certain investments made over the last several quarters.

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Revenue within Aerospace increased over the prior year. The increase is attributed to higher ISR flying tempos, primarily driven by the second UK Home Office aircraft entering service in the fourth quarter of this year for which there is no comparative in the previous year. This increase is partially offset by a decrease in revenue within our training business as the planned wind down of existing programs occurred prior to the start of new programs. In addition, a change in scope in one of its aerospace contracts partially offset the increase in revenue. The aerospace support contract changed from a performance-based logistics agreement, which typically produces steady revenues, to a time and materials arrangement, which produces revenues that can vary quarter to quarter.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased \$106 million or 20% to \$630 million.

Adjusted EBITDA within Essential Air Services increased over the prior year. The increases in revenue discussed above contributed to the increase in Adjusted EBITDA. Adjusted EBITDA was also positively impacted by new pricing on certain medevac contracts to normalize atypical levels of inflation. Investments previously made in our fleets are now producing the returns that were expected when the capital was deployed. Canadian North's charter business contributed to the Adjusted EBITDA increase over the prior year, however the Adjusted EBITDA margin on this business is well below our passenger and cargo margins within this business line.

Adjusted EBITDA within Aircraft Sales & Leasing increased over the prior year, primarily attributed to an increase in leasing activity during the period. Adjusted EBITDA 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, which are typically higher value transactions with lower Adjusted EBITDA margins, increased significantly over the prior period, further contributing to the Adjusted EBITDA increase. The material increase in large asset sales at lower Adjusted EBITDA margins compared to lease revenues, had an outsized downward impact on Adjusted EBITDA margins in 2025 compared to 2024.

Adjusted EBITDA within Aerospace decreased from the prior year. The decrease is attributable to a change in product mix from the prior year.

Manufacturing Segment

Revenue generated by the Manufacturing segment increased by \$120 million or 12% to \$1.1 billion.

Revenue generated within Environmental Access Solutions increased from the prior year. The Corporation acquired Duhamel on June 21, 2024, and Spartan on November 13, 2024, both of which contributed to an increase in revenue with only partial comparatives in the prior year. The Corporation experienced significant demand for composite matting solutions within the US market during the period that exceeded our expectations and exceeded the metrics off which we purchased the business. The Corporation has optimized production schedules, where possible, to increase throughput to meet customer demand. Within the Canadian market, several factors resulted in a decreased demand for mat and bridge rentals, and by extension, auxiliary services throughout the year, including drought conditions, increased forest fire activity and lower pipeline maintenance projects than usual. These factors contributed to a decrease in revenues within the Canadian market as job sites either became accessible without the need for temporary roads and bridges, or were inaccessible due to the presence of fire risk. The decrease in rental demand within the Canadian market was partially offset by an increase in new mat sales over the prior year.

Revenue generated within Multi-Storey Window Solutions decreased from the prior year. The business line continues to manage through project delays that impacted the orderbook in the prior year, and customer deferrals of certain projects. While the recent declines in benchmark borrowing rates have been positive for our outlook, the long lead time between order and build means those positive developments have not yet begun to impact our financial results as additions to our orderbook generally take between 18 and 24 months before revenue is generated. The long lead time between order and build means more recent positive developments to our orderbook have not yet begun to impact our financial results.

Revenue generated within Precision Manufacturing & Engineering increased over the prior year due to several factors. During the year, the business line experienced increases in volumes, particularly for wireless and wireline construction services, as large capital projects which were previously delayed from the latter part of 2024 continued to contribute positively in the current year. The Corporation also experienced increased demand for hydronic heating equipment during the year. Finally, while macroeconomic factors such as tariff uncertainty persisted throughout the year and introduced short term volume volatility, overall volumes among several core customers across multiple subsidiaries increased over the prior year, further contributing to the increase in revenue. The prior year was also characterized by certain customers in the US pausing their spending until after the outcome of the US election, which abated post election.

Adjusted EBITDA generated by the Manufacturing segment increased by \$31 million or 21% to \$184 million.

Adjusted EBITDA within Environmental Access Solutions increased over the prior year. The acquisition of Spartan and its addition of composite mats to the business line, for which there is only a partial comparative in the prior year, positively impacted Adjusted EBITDA and margins during the year. Spartan's Adjusted EBITDA margins have been better than initially expected due to higher throughput in the facility and lower than expected input costs. In response to exceptional customer demand, the anticipated temporary plant shutdown to revamp the manufacturing footprint to improve output was deferred. The acquisition of Duhamel for which there was only a partial comparative in the

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prior year also contributed to the increase in Adjusted EBITDA. This increase in Adjusted EBITDA was partially offset by a decrease in Adjusted EBITDA in the Canadian Operations, attributed to lower demand for mat rentals discussed above, and by extension auxiliary services. These products generally contribute a higher Adjusted EBITDA margin compared to new mat sales.

Adjusted EBITDA within Multi-Storey Window Solutions decreased from the prior year. The decrease is attributed to several factors. US tariffs on aluminium negatively impacted Adjusted EBITDA during the year. While the Corporation continues to look for alternative suppliers within its supply chain to mitigate the impact of tariffs, making changes within its supply chain, where possible, will occur over a longer period of time. The Corporation has instead focused on shifting manufacturing capabilities to mitigate the impact of tariffs. The strategic decision to retain experienced staff which will allow us to meet increased demand in the future as projects that are currently on hold are awarded, continues to negatively impact Adjusted EBITDA. As previously communicated, the Corporation's backlog remains strong, however the long lead time between order and build means the impact to Adjusted EBITDA has not yet been realized.

Adjusted EBITDA within Precision Manufacturing & Engineering increased over the prior year. An increase in demand for hydronic heating solutions over the prior year, as well as increases in volumes for wireless and wireline construction services discussed above, contributed to the increase in Adjusted EBITDA within this business line. In addition, a change in product mix between entities also contributed to the Adjusted EBITDA increase.

NET EARNINGS

	Year Ended December 31,	2025	2024
Net Earnings		\$ 167,520	\$ 121,235
Net Earnings per share		\$ 3.20	\$ 2.55

Net Earnings were \$168 million, an increase of \$46 million, or 38% over the prior year. The Corporation generated higher Adjusted EBITDA compared to the prior year as discussed above, contributing to the increase in Net Earnings. In addition, interest expense decreased \$8 million from the prior year due to the conversion and early redemption of convertible debentures as three series have been redeemed after being substantially converted to equity in the current year, while another series was redeemed during the fourth quarter of the previous year. Finally, the Corporation also recognized \$5 million in restructuring costs during the prior year which did not occur in the current year.

These increases in Net Earnings were partially offset by several factors. First, depreciation on capital assets increased by \$63 million over the prior year. This increase is attributed to two factors. The acquisition of Canadian North on July 1, 2025 added additional depreciation on capital assets for which there was no comparative in the prior year, however was expected given the extensive capital assets acquired. In addition, investments in Growth Capital Expenditures in previous periods have resulted in higher depreciation on capital assets in the current period as expected when these investments were made. Second, acquisition costs increased \$3 million over the prior year. This increase was driven by the complexity of the Canadian North acquisition, including the required regulatory approvals, which resulted in higher than normal acquisition costs for an acquisition of this size. Third, depreciation on right of use assets and interest expense on right of use liabilities increased by \$11 million over the prior year. This increase is primarily attributed to the acquisition of Canadian North on July 1, 2025 for which there is no comparative in the prior year. Finally, the decrease in interest expense attributed to the early redemption of the Corporation's convertible debentures discussed above, was partially offset by higher senior credit facility debt outstanding compared to the prior year.

Income tax expense increased over the prior year while the Corporation's effective tax rate decreased to 27% from 28% in the prior year. The increase in tax expense corresponds with the increase in pre-tax earnings during the period.

Net Earnings per share increased by 25% over the prior year to \$3.20. The weighted average number of shares increased by 10%, which reduced Net Earnings per share. Details around the change in shares outstanding can be found in *Section 7 – Liquidity and Capital Resources*.

ADJUSTED NET EARNINGS (Section 13 – Non-IFRS Financial Measures and Glossary)

	Year Ended December 31,	2025	2024
Net Earnings		\$ 167,520	\$ 121,235
Acquisition costs (net of tax of \$675 and \$1,092)		9,028	5,768
Amortization of intangible assets (net of tax of \$6,556 and \$5,965)		18,183	16,545
Restructuring (net of tax of \$nil and \$1,335)		-	3,609
Accelerated interest accretion on redeemed debentures (net of tax of \$193 and \$71)		520	191
Interest accretion on acquisition contingent consideration (net of tax of \$103 and \$nil)		298	-
Adjusted Net Earnings		\$ 195,549	\$ 147,348
per share – Basic		\$ 3.74	\$ 3.10
per share – Diluted		\$ 3.61	\$ 2.99

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Adjusted Net Earnings generated by the Corporation during the year was \$196 million, an increase of \$48 million or 33% over the prior year. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of \$18 million in intangible asset amortization and \$9 million in acquisition costs, both net of tax. In the prior year, the Corporation realized restructuring charges of \$4 million, net of tax, which did not occur in the current year. Details around the calculation of Adjusted Net Earnings can be found in *Section 13 – Non-IFRS Financial Measures and Glossary*.

Adjusted Net Earnings per share increased by 21% over the prior year to \$3.74. The weighted average number of shares increased by 10%, which reduced Adjusted Net Earnings per share. Details around the change in shares outstanding can be found in *Section 7 – Liquidity and Capital Resources*.

FREE CASH FLOW (*Section 13 – Non-IFRS Financial Measures and Glossary*)

FREE CASH FLOW	Year Ended December 31,	2025	2024
Cash flows from operations		\$ 647,944	\$ 357,008
Change in non-cash working capital		(65,559)	81,787
Acquisition costs (net of tax of \$675 and \$1,092)		9,028	5,768
Principal payments on right of use lease liabilities		(50,133)	(39,017)
Restructuring (net of tax of \$nil and \$1,335)		-	3,609
		\$ 541,280	\$ 409,155
per share – Basic		\$ 10.36	\$ 8.60
per share – Diluted		\$ 9.68	\$ 7.60

The Free Cash Flow generated by the Corporation during the year was \$541 million, an increase of \$132 million, or 32% over the prior year. The increase is attributable to the increase in Adjusted EBITDA, along with a decrease in current taxes and interest, partially offset by an increase in principal payments on right of use lease liabilities. Free Cash Flow is discussed further in *Section 13 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis increased 20% over the prior year to \$10.36. The weighted average number of shares increased by 10%, which reduced Free Cash Flow per share. Details around the increase in shares outstanding can be found in *Section 7 – 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 4 – Investing Activities*.

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3. FOURTH QUARTER RESULTS

The following section analyzes the financial results of the Corporation for the three months ended December 31, 2025, and the comparative three-month period in 2024.

	Three Months Ended December 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office ⁽²⁾	Consolidated
Revenue	\$ 624,778	\$ 304,769	\$ -	\$ 929,547
Expenses ⁽¹⁾	446,148	250,286	16,682	713,116
Adjusted EBITDA	178,630	54,483	(16,682)	216,431
Depreciation of capital assets				88,838
Amortization of intangible assets				6,395
Finance costs – interest				30,060
Depreciation of right of use assets				15,205
Interest expense on right of use lease liabilities				2,942
Acquisition costs				1,980
Earnings before income taxes				71,011
Current income tax expense				3,093
Deferred income tax expense				16,352
Net Earnings				\$ 51,566
Net Earnings per share (basic)				\$ 0.94
Adjusted Net Earnings				\$ 58,424
Adjusted Net Earnings per share (basic)				\$ 1.06

	Three Months Ended December 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office ⁽²⁾	Consolidated
Revenue	\$ 415,358	\$ 272,337	\$ -	\$ 687,695
Expenses ⁽¹⁾	274,934	232,797	12,910	520,641
Adjusted EBITDA	140,424	39,540	(12,910)	167,054
Depreciation of capital assets				66,040
Amortization of intangible assets				5,801
Finance costs – interest				34,005
Depreciation of right of use assets				10,390
Interest expense on right of use lease liabilities				2,037
Acquisition costs				2,762
Restructuring costs				4,944
Earnings before income taxes				41,075
Current income tax expense				6,998
Deferred income tax expense				5,903
Net Earnings				\$ 28,174
Net Earnings per share (basic)				\$ 0.58
Adjusted Net Earnings				\$ 38,740
Adjusted Net Earnings per share (basic)				\$ 0.80

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.

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REVENUE AND ADJUSTED EBITDA (Section 13 – Non-IFRS Financial Measures and Glossary)

On a consolidated basis, the Corporation generated revenue of \$930 million during the fourth quarter, an increase of \$242 million or 35% over the prior period. The increase was driven by both the Aerospace & Aviation and Manufacturing segments, which increased by \$209 million and \$32 million respectively.

Adjusted EBITDA of \$216 million was generated by the Corporation during the fourth quarter, an increase of \$49 million or 30% over the prior period. The increase was attributable to both segments, with the Aerospace & Aviation increasing by \$38 million and the Manufacturing segment increasing by \$15 million over the prior period. Head Office costs increased by \$4 million over the prior period which is attributed to increased compensation expense, expenditures in information technology and cybersecurity, and the expansion of the Atik Mason Indigenous Pilot Pathway to a third location in Rankin Inlet.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by \$209 million or 50% to \$625 million.

Revenue within Essential Air Services increased over the prior period. The increase is driven primarily by several factors. First, Newfoundland Helicopters was acquired on May 12, 2025 and Canadian North was acquired on July 1, 2025, with no comparative revenue in the prior period. Included in the increase attributed to Canadian North are significant charter revenues that contributed to the period over period increase. These charter revenues have a lower Adjusted EBITDA margin compared to the rest of the segment as discussed below. Second, medevac operations contributed to the increase in revenue over the prior period due to improved yields and expanded scope in several locations. Finally, increases in scheduled service volumes further contributed to the increase in revenue.

Revenue within Aircraft Sales & Leasing increased over the prior period. The increase is attributed to a continued growth in leasing activity during the period and an increase in both parts demand and large asset sales. Large asset sales, which are generally higher dollar transactions and lower Adjusted EBITDA margin, can fluctuate quarter to quarter. These large asset sales are lumpy and reflect the monetization of certain investments made over the last several quarters.

Revenue within Aerospace increased over the prior period. The increase is primarily attributed to higher tempo ISR flying as a result of the second UK Home Office aircraft which entered service in the fourth quarter of 2025, for which there is no comparative in the prior period. Increases in training program volumes further contributed to the revenue increase during the period.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased by \$38 million or 27% to \$179 million.

Adjusted EBITDA within Essential Air Services increased over the prior period. Newfoundland Helicopters was acquired on May 12, 2025 and Canadian North was acquired July 1, 2025, with no comparative in the prior period. The increases in revenue discussed above, further drove increases in Adjusted EBITDA over the prior period. Investments previously made in our fleets are now starting to produce the returns that were expected when the capital was deployed. Canadian North's charter business contributed to the Adjusted EBITDA increase over the prior period, however its Adjusted EBITDA on this business is well below the Adjusted EBITDA margins generated by our passenger and cargo operations within this business line.

Adjusted EBITDA within Aircraft Sales & Leasing increased over the prior period, primarily attributed to an increase in leasing activity in 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, which are typically higher value transactions with lower Adjusted EBITDA margins, increased significantly over the prior period, further contributing to the Adjusted EBITDA increase. The material increase in large asset sales at lower Adjusted EBITDA margins compared to lease revenues, had an outsized downward impact on Adjusted EBITDA margins in the current period compared to the prior period.

Adjusted EBITDA within Aerospace increased over the prior period for the same reasons discussed in the revenue section above.

Manufacturing Segment

Revenue generated by the Manufacturing segment increased by \$32 million or 12% to \$305 million.

Revenue generated within Environmental Access Solutions increased over the prior period. The Corporation acquired Spartan on November 13, 2024, which contributed to the increase in revenue with only a partial comparative in the prior period. The Corporation experienced significant demand for composite matting solutions within the US market during the period which exceeded our expectations and exceeded the metrics off which we purchased the business. Within the Canadian market, demand for mat rentals and auxiliary services increased over the prior period, as did the demand for new and used mat sales, both of which contributed to the increase in revenue over the prior period. The increase in mat rental and mat sales volumes were driven primarily by increases in pipeline maintenance activity during the period.

Revenue generated within Multi-Storey Window Solutions decreased from the prior period. This business line continues to manage through project delays and the inefficiencies caused by those delays. Customer deferrals of certain projects created production gaps in the current period. In addition, reduced project activity in the current period because of delays in booking projects in late 2023 and early 2024 reduced

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revenue in the current period as additions to our orderbook typically take between 18 and 24 months before revenue is generated. The long lead time between order and build means more recent positive developments to our orderbook have not yet begun to impact our financial results.

Revenue generated within Precision Manufacturing & Engineering increased over the prior period. During the period, the Corporation experienced significantly higher demand for hydronic heating solutions compared to the prior period which experienced an abnormally mild fall and winter and therefore suppressed demand for hydronic heating solutions in 2024. Volume increases in several of the Corporation's other subsidiaries also contributed positively to revenue growth within this business line.

Adjusted EBITDA generated by the Manufacturing segment increased by \$15 million or 38% to \$54 million.

Adjusted EBITDA within Environmental Access Solutions increased over the prior period. The acquisition of Spartan and the addition of composite mats to the business line, for which there was only a partial comparative in the prior period, positively impacted Adjusted EBITDA and margins during the period. Spartan's Adjusted EBITDA margins have been better than initially expected due to higher throughput in the facility and lower than anticipated input costs. Within the Canadian market, the increased demand for mat rentals, and by extension, auxiliary services during the current period positively contributed to the increase in Adjusted EBITDA. Mat rentals and auxiliary services contribute a higher Adjusted EBITDA margin compared to mat sales.

Adjusted EBITDA within Multi-Storey Window Solutions decreased from the prior period. The decrease is attributed to several factors. US tariffs on aluminum negatively impacted Adjusted EBITDA during the period. While the Corporation continues to look for alternative suppliers within its supply chain to mitigate the impact of tariffs, making changes within its supply chain, where possible, will occur over a longer period of time. The Corporation has instead focused on shifting manufacturing capabilities to mitigate the impact of tariffs. The project delays discussed above, along with the strategic decision to retain experienced staff in order to respond to increased demand in the future as projects are awarded, continue to negatively impact the results of the business line. As previously communicated, the Corporation's backlog remains strong, however the long lead time between order and build means the impact to Adjusted EBITDA has not yet been realized.

Adjusted EBITDA within the Precision Manufacturing & Engineering increased over the prior period. The increased demand for hydronic heating solutions discussed above as well as a change in product mix between entities contributed positively to Adjusted EBITDA during the period.

NET EARNINGS

Three Months Ended December 31	2025	2024
Net Earnings	\$ 51,566	\$ 28,174
Net Earnings per share	\$ 0.94	\$ 0.58

Net Earnings for the three months ended December 31, 2025, were \$52 million, an increase of \$23 million or 83% over the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, contributing to the increase in Net Earnings. In addition, interest expense decreased by \$4 million from the prior period due to lower principal value of convertible debentures due to the early redemption of the Corporation's convertible debentures after substantially converting to equity. Acquisition costs decreased by less than \$1 million compared to the prior period which included acquisition costs related to the Spartan acquisition. Finally, the Corporation recorded restructuring costs of \$5 million in the prior period, which did not occur in the current period.

These increases to Net Earnings were partially offset by several factors. First, depreciation on capital assets increased \$23 million over the prior period. The increase is attributed to two factors. The acquisition of Canadian North on July 1, 2025 added additional depreciation on capital assets for which there was no comparative in the prior period, however this increase was expected given the extensive capital assets acquired. In addition, investments in Growth Capital Expenditures in previous periods have resulted in higher depreciation on capital assets in the current period, as expected when these investments were made. Second, depreciation on right of use assets and interest expense on right of use liabilities increased \$6 million over the prior period, primarily attributed to the acquisition of Canadian North on July 1, 2025 for which there is no comparative in the prior period. Finally, the decrease in interest expense attributed to the conversion and redemption of convertible debentures was partially offset by higher senior credit facility debt outstanding compared to the prior period.

Income tax expense increased by \$7 million from the prior period while the Corporation's effective rate of tax decreased to 27% from to 31% in the prior period. The increase in tax expense corresponds with the increase in pre-tax earnings during the period. The decrease in the Corporation's effective tax rate is primarily attributed to a higher proportion of the Corporation's pre-tax income being generated in lower tax jurisdictions compared to the prior year.

Net Earnings per share increased by 62% from the prior period to \$0.94. The weighted average number of shares increased by 14%, which reduced Net Earnings per share. Details around the change in shares outstanding can be found in *Section 7 – Liquidity and Capital Resources*.

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ADJUSTED NET EARNINGS (Section 13 – Non-IFRS Financial Measures & Glossary)

Three Months Ended December 31	2025	2024
Net Earnings	\$ 51,566	\$ 28,174
Acquisition costs (net of tax \$244 and \$260)	1,736	2,502
Amortization of intangible assets (net of tax \$1,695 and \$1,537)	4,700	4,264
Restructuring (net of tax, \$nil and \$1,335)	-	3,609
Accelerated interest accretion on redeemed debentures (net of tax of \$86 and \$71)	232	191
Interest accretion on acquisition contingent consideration (net of tax of \$64 and \$nil)	190	-
Adjusted Net Earnings	\$ 58,424	\$ 38,740
per share – Basic	\$ 1.06	\$ 0.80
per share – Diluted	\$ 1.04	\$ 0.78

Adjusted Net Earnings increased by \$20 million or 51% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of \$5 million in intangible asset amortization and \$2 million in acquisition costs, both net of tax. The prior period included the add-back of restructuring costs of \$4 million, net of tax, which did not occur in the current period.

Adjusted Net Earnings per share increased by 33% over the prior period to \$1.06. The weighted average number of shares increased by 14%, which reduced Adjusted Net Earnings. Details around the change in shares outstanding can be found in *Section 7 – Liquidity and Capital Resources*.

FREE CASH FLOW (Section 13 – Non-IFRS Financial Measures and Glossary)

FREE CASH FLOW	2025	2024
Three Months Ended December 31		
Cash flows from operations	\$ 280,396	\$ 140,531
Change in non-cash working capital items	(102,594)	(25,720)
Acquisition costs (net of tax of \$244 and \$260)	1,736	2,502
Principal payments on right of use lease liabilities	(14,607)	(10,316)
Restructuring (net of tax, \$nil and \$1,335)	-	3,609
	\$ 164,931	\$ 110,606
per share – Basic	\$ 3.00	\$ 2.30
per share – Fully Diluted	\$ 2.90	\$ 2.03

The Free Cash Flow generated by the Corporation for the fourth quarter of 2025 was \$165 million, an increase of \$54 million or 49% over the prior period. The increase in Adjusted EBITDA is the primary reason for the increase in Free Cash Flow for the period, along with a decrease in current taxes and interest, partially offset by an increase in principal payments on right of use lease liabilities. Free Cash Flow is discussed further in *Section 13 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis increased 30% over the prior year to \$3.00. The weighted average number of shares increased by 14%, which reduced Free Cash Flow per share. Details around the increase in shares outstanding can be found in *Section 7 – Liquidity and Capital Resources*.

Changes in non-cash working capital balance is included in cash flow from operations per the Statement of Cash Flow and is removed in the reconciliation to Free Cash Flow. As a result, it has no impact on the calculation of Free Cash Flow. A discussion of changes in working capital is included within *Section 4 – Investing Activities*.

4. 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

Newfoundland Helicopters Ltd (“Newfoundland Helicopters”).

On May 12, 2025, the Corporation acquired the shares of Newfoundland Helicopters. Newfoundland Helicopters, headquartered in Clarenville, Newfoundland and Labrador, is a helicopter charter service founded in 2005. The Company’s operations serve diverse sectors including healthcare, mining, construction, utilities and leisure. The Corporation’s rotary wing business already has a presence in

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Newfoundland and Labrador, and when combined with PAL's customer relationships, provides a compelling opportunity for growth and increased customer service in the region for our rotary wing business.

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

Consideration given:	
Cash	\$ 12,174
Issuance of 26,230 shares of the Corporation at \$52.61 per share	1,380
Final working capital settlement	(2)
Total purchase consideration	\$ 13,552

Bradley Air Services Ltd. ("Canadian North")

On July 1, 2025, after receiving all required regulatory approvals, the Corporation completed its acquisition of Canadian North. The purchase price was funded by cash from the Corporation's credit facility and \$9 million of EIC common shares issued to the vendors, subject to purchase price adjustments, inclusive of contingent consideration. Canadian North provides essential passenger and cargo services, using a combination of leased and owned Boeing 737 jets and ATR turboprops, to 24 remote Canadian Arctic communities in Nunavut and the Northwest Territories, from its southern gateways in Ottawa and Edmonton. Canadian North is also a provider of air charter services for large resource sector clients requiring dependable, efficient, and economical fly-in, fly-out charter services.

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

Consideration given:	
Cash purchase consideration	\$ 179,727
Issuance of 158,297 shares of the Corporation at \$59.76 per share	9,459
Estimated working capital settlement	(11,846)
Contingent consideration	8,275
Total purchase consideration	\$ 185,615

CAPITAL EXPENDITURES

CAPITAL EXPENDITURES	Year Ended December 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	\$ 269,887	\$ 31,375	\$ 872	\$ 302,134
Growth Capital Expenditures	319,558	2,872	-	322,430
	\$ 589,445	\$ 34,247	\$ 872	\$ 624,564

CAPITAL EXPENDITURES	Year Ended December 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	\$ 182,114	\$ 27,230	\$ 545	\$ 209,889
Growth Capital Expenditures	218,494	1,075	732	220,301
	\$ 400,608	\$ 28,305	\$ 1,277	\$ 430,190

Maintenance Capital Expenditures for the year ended December 31, 2025, increased by \$92 million or 44% over the prior year. The increase in the Aerospace & Aviation segment was \$88 million over the prior year, which was materially impacted by the acquisition of Canadian North, and was expected when the Corporation made the acquisition. An increase in assets on lease in Aircraft Sales & Leasing, which drive Maintenance Capital Expenditures in this business line, also contributed to the increase over the prior year. 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. However, due to maintenance, repair, and overhaul ("MRO") availability, such seasonality may vary year to year. 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 the 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. The increase in the Manufacturing segment was \$4 million over the prior year. Maintenance Capital Expenditures for the Manufacturing segment can vary 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. Further discussion of future Maintenance Capital Expenditures is included in *Section 6 – Outlook*.

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Aerospace & Aviation Segment

Maintenance Capital Expenditures for Essential Air Services for the three months and year ended December 31, 2025 increased over the prior year. The increase is primarily attributed to the acquisition of Canadian North, for which there was no comparison in the prior year. In addition, the per event cost has increased due to inflationary pressures and labour costs. Due to MRO availability in the current year, the timing of events shifted from the second and third quarters to the first and fourth quarters. Growth Capital Expenditures for the three months and year ended December 31, 2025 within Essential Air Services were \$50 million and \$153 million respectively. This includes continued investment in the construction of the facility to house the Corporation's full motion King Air simulator, investments made in infrastructure and aircraft to support the Carson Air medevac contract, the expansion of our rotary and fixed wing fleet, and investments made for the construction of the Ottawa hangar for Canadian North.

Maintenance Capital Expenditures for Aerospace for the three months and year ended December 31, 2025 increased over the prior year. The increase for the three month period is due to the timing of events that shifted from the third quarter into the fourth quarter, which is expected since period to period variability can occur. 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 increased labour costs also contributed to the increases. Growth Capital Expenditures for the three months and year ended December 31, 2025 were \$6 million and \$18 million respectively, which relates to the costs incurred for the Newfoundland and Labrador fixed wing air ambulance contract, and modifications to convert a second aircraft into a surveillance platform to assist with our UK Home Office contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing for the three months ended December 31, 2025 decreased from the prior period, while Maintenance Capital Expenditures for the year ended December 31, 2025 increased over the prior year. In the prior three month period, the Corporation was readying several assets for lease which increased Maintenance Capital Expenditures in the prior period. As the Corporation's lease fleet approached pre-pandemic utilization, the Corporation reviewed its Maintenance Capital Expenditures policy for this business line as discussed further below. The change in the calculation methodology, which was implemented prospectively, has contributed to the period over period increase for year ended December 31, 2025. Growth Capital Expenditures for the three months and year ended December 31, 2025 were \$73 million and \$150 million respectively. The investments in Growth Capital Expenditures during the year reflects additions to the portfolio of larger gauge aircraft and engines than those disposed of, which significantly increased the earnings power of the portfolio. Several assets were purchased during the period that have either been placed on lease or will be placed on lease in the coming quarters.

The table below provides a summary of the fleet of assets in Aircraft Sales & Leasing's lease portfolio.

Aircraft Sales & Leasing Lease Portfolio	December 31, 2025		December 31, 2024	
	Aircraft	Engines	Aircraft	Engines
Lease portfolio	70 ⁽¹⁾	139	67 ⁽¹⁾	131

Note 1) The aircraft total above includes 27 airframes that do not have engines (December 31, 2024 – 19 airframes) including 8 (December 31, 2024 – 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 the Pratt & Whitney engines. Earnings on the leasing of aircraft and engines are not derived solely from a financing spread as in the traditional leasing business but rather cash flows are generated from acquiring assets, leasing them out, and once the available green time on the assets is consumed and the aircraft have been retired from the active fleet, the assets are sold or parted out to generate further cash flows. It is important to note that not all the aircraft and engines in the portfolio will be on lease at any given time.

As the Corporation's lease fleet approached pre-pandemic utilization, the Corporation reviewed its Maintenance Capital Expenditures policy for the Aircraft Sales & Leasing business line and changed the policy for calculation of Maintenance Capital Expenditures starting in the first quarter of 2025 on a go forward basis. Maintenance Capital Expenditures within the Corporation's Aircraft Sales & Leasing business line reflects a charge based on the utilization of the assets within the aircraft and engine lease portfolio. The Maintenance Capital Expenditures represent the expected future capital expenditures required to maintain the cash flow of the lease portfolio at current levels as a result of current period utilization of those aircraft by lessees. Using a cash basis policy can result in large period to period variability in Maintenance Capital Expenditures and is not a good indicator of reinvestment needs when flying tempos are high. In contrast, the new policy will result in Maintenance Capital Expenditures that are more consistent, predictable, and better aligned with reinvestment requirements based on current levels of flying.

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Prior to 2025, the fleet of aircraft and engines to be leased was underutilized since the onset of the pandemic and as a result, the available green time on those aircraft was not being consumed at the same rate as in prior periods. Just as the impacts of the pandemic lessened, the lease fleet remained underutilized due to a worldwide flight crew shortage, most notably in experienced pilots. During these periods of underutilization, the actual expenditures on assets already owned were used as the costs of maintaining the fleet and represented Maintenance Capital Expenditures during these historic periods.

Growth Capital Expenditures at Aircraft Sales & Leasing represent the difference between net capital assets acquired (assets purchased less assets sold or transferred to inventory) and the amount of Maintenance Capital Expenditures, as defined above. Because the timing between the removal of assets from the lease portfolio and the replacement of those assets can vary from quarter to quarter, it is possible that negative Growth Capital Expenditures may arise in a particular quarter. However, it is not expected that negative Growth Capital Expenditures would consistently occur over a longer period as it is the Corporation's intention to continue to maintain or grow the lease portfolio.

Manufacturing Segment

Maintenance Capital Expenditures in the Precision Manufacturing & Engineering and Multi-Storey Window Solutions business lines primarily relate to the replacement of production equipment, or components of that equipment, and can vary significantly from year to year. Certain manufacturing assets have long useful lives and, therefore, can last for many years before requiring replacement or significant repair. Maintenance Capital Expenditures for Environmental Access Solutions primarily relate to the depreciation on mats and bridges, as well as maintenance on or replacement of equipment which, similar to Precision Manufacturing & Engineering and Multi-Storey Window Solutions, can vary based on what assets require repair or replacement.

For the three months and year ended December 31, 2025, Maintenance Capital Expenditures for Environmental Access Solutions increased over the prior year. This increase is driven by the replacement of rolling stock which did not occur in the prior year. For the three months and year ended December 31, 2025, Growth Capital Expenditures were \$4 million and \$1 million respectively. During the three month period, the business line invested in its rental fleet and began equipment purchases for its new composite matting facility. During the year ended December 31, 2025, the business line took the opportunity to sell some wooden mats in the fleet to respond to customer demand, which was more than offset by the new equipment purchases for the new composite matting facility.

For the three months and year ended December 31, 2025, Maintenance Capital Expenditures for Multi-Storey Window Solutions increased over the prior year. Growth Capital Expenditures for the three months and year ended December 31, 2025 were less than \$1 million and \$1 million respectively, which reflects investments in new equipment to support production efficiencies.

For the three months and year ended December 31, 2025, Maintenance Capital Expenditures for Precision Manufacturing & Engineering increased over the prior year. The increase is attributed to investments made to sustain the higher run rates experienced during the period. Growth Capital Expenditures for the three months and year ended December 31, 2025 were both less than \$1 million and reflect investments in new equipment to enhance our ability to meet increasing customer demand and create efficiencies.

INVESTMENT IN WORKING CAPITAL

During the year ended December 31, 2025, the Corporation generated \$66 million from working capital, as discussed further below.

During the year, the Corporation continued to invest in the Aircraft Parts & Leasing business, making several purchases for assets to be parted out and sold in future quarters. These purchases were mostly offset by sales during 2025. During 2025, the Corporation was able to convert several of these assets into cash, including certain assets purchased in 2024, which net of purchases resulted in a slight increase in overall inventory at year end. This continued investment in inventory will support future parts sales, but due to the 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 the year, as business volumes within the Multi-Storey Windows Solutions business line were lower than in prior years, required working capital also declined. This generated cash from working capital during the year.

During the year, the Corporation invested in the Environmental Access Solutions business line, expanding new wood mat inventory during the year. This investment was partially drawn down during the fourth quarter of 2025 in response to customer demand for new mat sales, and is expected to be further drawn down in future quarters for sales or utilization within the rental fleet.

Further details of the investment in working capital are included in Note 24 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

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5. 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	2025 Dividends		Record date	Per Share	2024 Dividends	
				Amount				Amount
January	January 31, 2025	\$ 0.22	\$	10,983	January 31, 2024	\$ 0.22	\$	10,380
February	February 28, 2025	0.22		11,276	February 29, 2024	0.22		10,389
March	March 31, 2025	0.22		11,291	March 29, 2024	0.22		10,402
April	April 30, 2025	0.22		11,299	April 30, 2024	0.22		10,410
May	May 30, 2025	0.22		11,312	May 31, 2024	0.22		10,419
June	June 30, 2025	0.22		11,322	June 28, 2024	0.22		10,446
July	July 31, 2025	0.22		11,349	July 31, 2024	0.22		10,457
August	August 29, 2024	0.22		11,407	August 30, 2024	0.22		10,468
September	September 29, 2025	0.22		11,943	September 27, 2024	0.22		10,478
October	October 31, 2025	0.22		11,962	October 31, 2024	0.22		10,483
November	November 28, 2025	0.23		12,815	November 29, 2024	0.22		10,643
December	December 31, 2025	0.23		12,909	December 31, 2024	0.22		10,913
Total		\$ 2.66	\$	139,868		\$ 2.64	\$	125,888

Dividends declared for the twelve months ended December 31, 2025, increased over the prior year. The increase is attributed to an increase in shares outstanding compared to the prior year and the increase in the dividend per share during the fourth quarter of 2025. The issuance of shares as part of the conversion of convertible debentures in the fourth quarter of 2024, and the first, third and fourth quarters of 2025, increased the number of shares outstanding. In addition, the acquisitions of Spartan in the fourth quarter of 2024, Newfoundland Helicopters in the second quarter of 2025, and Canadian North in the third quarter of 2025 also 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 eliminates the impact of seasonality on the analysis as seasonality exists across a large portion of our operations. Seasonality is discussed further in *Section 5 – Outlook*.

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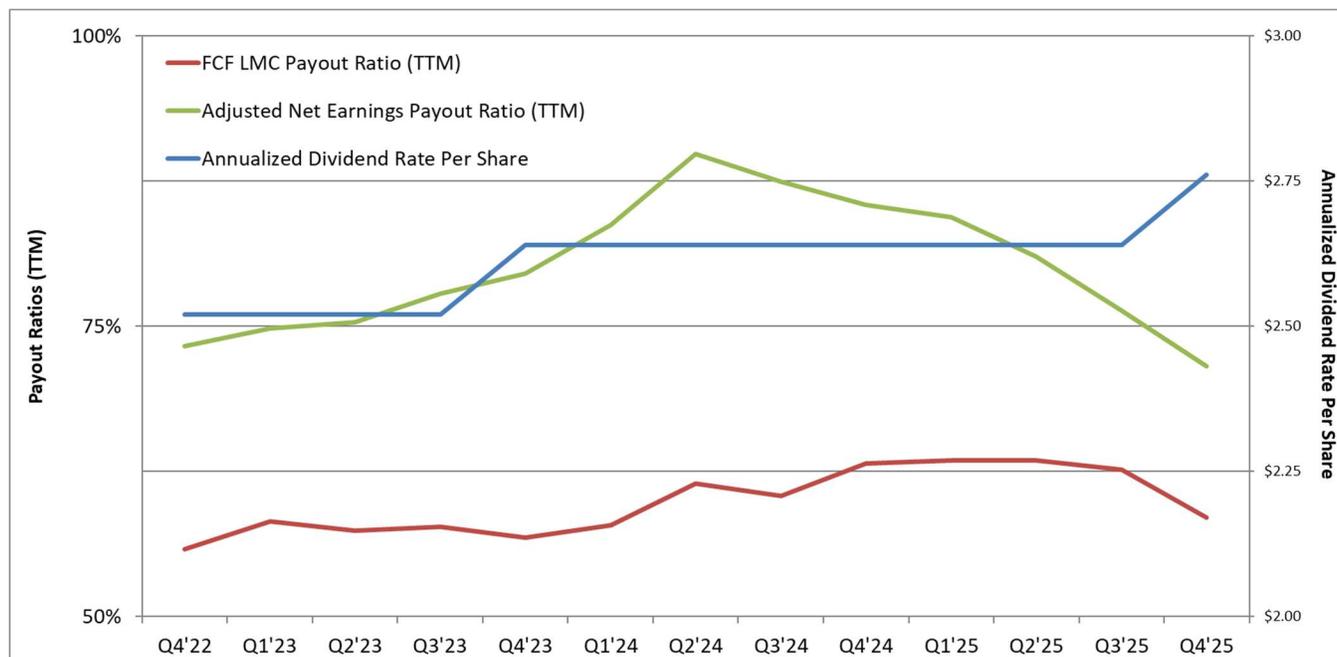
Payout Ratios (Section 13 – Non-IFRS Measures and Glossary)

Basic per Share Payout Ratios for the Corporation	2025		2024	
	Three Months	Trailing Twelve Months	Three Months	Trailing Twelve Months
Adjusted Net Earnings	64%	72%	83%	85%
Free Cash Flow less Maintenance Capital Expenditures	55%	58%	73%	63%

The trailing twelve month Adjusted Net Earnings payout ratio was 72% at December 31, 2025 compared to 85% at December 31, 2024, due to higher Adjusted Net Earnings which is discussed in detail above in *Section 2 – Annual Results of Operations*. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 58% compared to 63% in the prior year due to increased Free Cash Flow less Maintenance Capital Expenditures, which is discussed in detail above in *Section 2 – Annual Results of Operations*. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures. Both payout ratios were impacted slightly in the current period due to the November 2025 dividend increase discussed above.

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.



6. OUTLOOK

The Corporation continues to execute its acquisition strategy and make further investments in its subsidiaries, with the intent of diversifying the Corporation's cash flows to provide shareholders with dependable returns, even during times of market or economic disruption or dislocation. By acquiring companies with demonstrated and sustainable market niches and exceptional management teams and then providing these companies with additional capital to expand, we have been able to deliver consistent growth for our shareholders on a per share basis throughout our history. Not all our subsidiaries will be performing at peak levels at any given point in time, but the diversification within our portfolio of companies has enabled the overall portfolio of companies to be much more resilient than any one individual business. This means one or more over-performing business line or business can support other subsidiaries that are experiencing challenges without negatively impacting EIC's overall results materially, allowing management to focus on long-term profitability and cash flow, rather than short-

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term quarter to quarter results. It is this business philosophy and focus on the long-term diversification of cash flows that drives EIC's investment thesis and is the bedrock of the consistent results we have generated since inception.

2026 Overall Outlook

Our record key financial metrics reflect the continued execution of our business model and investment philosophy. Our resilient and diversified business model coupled with the contractual wins recently announced including the Air Canada commercial agreement to extend and expand its commercial agreement with PAL Airlines along with the Mach2 acquisition provides us with confidence that our Adjusted EBITDA for fiscal 2026 is expected to be in the range of \$825 million to \$875 million with a current bias of the midpoint to upper end of the range.

Seasonality

We are exposed to certain amounts of seasonality in our operating segments. For purposes of the Outlook, we will provide a high-level summary on the seasonality and its drivers along with qualitative discussions regarding our segment expectations for 2026 and thereafter.

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 fixed cost nature of scheduled flying coupled with potentially reduced traffic, due to reduced demand, weather effects and the impact of winter roads, as applicable, to transport people and goods 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. The colder weather in the first quarter also generally results in a seasonal slowdown in large infrastructure projects across North America, impacting certain of the Corporation's Manufacturing segment subsidiaries.

Regarding the remaining quarters, we generally experience the highest level of activity in both our Aerospace & Aviation and Manufacturing segments during the third quarter. An increased level of activity in all businesses typically results in the highest level of profitability during the third quarter. The second quarter and fourth quarters would approximately represent the average of per annum level of revenues 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 helps to mitigate such risk.

Outlook by Segment

Our Aerospace & Aviation segment Revenue and Adjusted EBITDA are expected to increase for fiscal 2026 due to the acquisitions of Canadian North and Mach2, our organic growth investments made in our aviation entities and continued execution on the contract wins.

Our Essential Air Services business line Revenue and profitability will increase over the prior year reflecting the impact of the completed acquisition of Canadian North on July 1, 2025, the new long-term Air Services Agreement with the Government of Nunavut, and the expanded and extended commercial agreement with Air Canada. In the first half of 2026 we anticipate receiving the remaining three new King Air aircraft to service the British Columbia medevac contract, allowing us to redeploy the existing aircraft throughout our operations, including the Newfoundland and Labrador fixed wing air ambulance contract, which is anticipated to ramp up in the latter half of 2026.

The Aerospace business line's Revenue and profitability is expected to increase over the prior year due to continued high tempo flying under certain of our ISR contracts coupled with the deployment of the second ISR aircraft under the contract with the UK Home Office throughout 2026. The second aircraft started operating in the fourth quarter of fiscal 2025. In 2024, we also announced that we were a member of the successful SkyAlyne consortium on the awarding of the Future Air Crew Training Program. We are continuing to negotiate and finalize the scope of our arrangement with the other program members however we don't anticipate any material contribution from this program in the 2026 results. During the fourth quarter of 2024, we submitted our proposal to the Government of Australia Department of Home Affairs for the provision of Aerial Surveillance Services and anticipate a response to our submission during the upcoming quarters as the bids were extended into early April 2026. If successful, commencement of the contract would occur in fiscal 2028.

The Aircraft Sales & Leasing business line's Revenue and profitability is expected to increase due to the acquisition of Mach2 in January 2026 along with the continued leasing and aircraft and part sales momentum from Growth Capital Expenditures made throughout 2025 and in previous years. Leasing revenue continues to increase as we deploy our assets throughout the globe coupled with increases in demand and the resultant expansion in rental rates enhancing profitability. 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.

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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 and infrastructure over the past number of years, and the result of those investments will continue to drive our financial results. The addition of Canadian North expands on our existing route network, the aircraft are complementary to our current fleet, and the Northern infrastructure complements our capabilities and increases prospects for growth. Access to Boeing 737 jet service for our various Essential Air Services passenger, charter and cargo customers will result in further opportunities to provide value added services to our communities and customers we serve. The Arctic infrastructure owned by EIC's subsidiaries, which includes hangars, ground equipment, bulk fuel storage, housing, and aircraft, will provide further expansion opportunities in the Arctic defence and security realm for our Aerospace business line and our Aircraft Sales & Leasing business line is anticipated to provide support for the maintenance and growth of the Canadian North fleet. Further tailwinds exist, as Canada's resource economy continues to develop, including the exploration and mining of critical minerals, which will necessitate transportation to remote areas particularly in the North. Additionally, Canada has identified the North as being critical in defending our sovereignty and has announced additional spending commitments to ensure that we secure our Northern territory while at the same time meeting NATO spending targets. This will provide opportunities for our various subsidiaries across our operating segments to provide services to the federal government based on our infrastructure, advanced aerospace solutions, Arctic aviation, in-country defence manufacturing, and networks of partnerships with Indigenous communities. Our capabilities uniquely position EIC to lead and support these critical initiatives for Canada consistent with the recently release Defence Industrial Strategy. Opportunities exist 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. Lastly, our Aircraft Sales & Leasing business line is continuing to expand. We have noted continued strong demand for parts, aircraft and engines for prior generation aircraft. Furthermore, air operators are continuing to look for spare engines and repaired parts due to component shortages. These factors are expected to provide tailwinds to Aircraft Sales & Leasing coupled with expansion opportunities into the narrowbody 737 market with the acquisition of Mach2 and leveraging of parts data from the acquisition of Canadian North.

Our Manufacturing segment Revenue and Adjusted EBITDA are expected to be materially consistent with the prior year as business sentiment in industries we are exposed to continues to improve for fiscal 2026 relative to 2025 offset by anticipated reductions in Multi-Window Solutions results and changes in product mix in remaining business lines.

Our Environmental Access Solutions business line is expected to moderately improve from a Revenue and profitability perspective relative to the prior year as long linear projects in Canada are expected to come online in the latter part of 2026 which will drive higher-margin mat rentals. Our Multi-Storey Window Solutions business line revenues and profitability are expected to decline from the comparative periods due to reduced project activity because of the delays in booking projects in prior years due to reduced demand associated with developer uncertainty. Margins are expected to continue to be compressed in fiscal 2026 due to the competitive environment at the time of bookings while management is continuing to identify efficiencies and bid on higher margin profile projects. Our Precision Manufacturing & Engineering business line is expected to increase revenues, however due to changes in product mix profitability is expected to be consistent with the prior year. All our businesses continue to see a significant number of inquiries, and we anticipate the conversion of bookings to firm orders continue to improve relative to the early part of 2025. With tax legislation in the US and Canada allowing for accelerated tax depreciation, along with gradually improving business sentiment, we have noted an uptick in conversion of quotes into orders.

On a longer-term basis, business fundamentals and North American trends support our positive outlook for the Manufacturing segment business lines. Our Environmental Access Solutions business line sees opportunities to further expand our customer base in the US while the composite mat manufacturing capabilities continue to increase our overall diversification within the business line. On a macro basis, as the electrical grid is upgraded and expanded in the transmission and distribution sector and opportunities in the resource sector are realized, including new long-linear projects, the utilization of matting and bridge solutions will be required to protect ecologically sensitive areas. The increase in US composite matting market share along with strong customer feedback and demand for our composite matting solutions has resulted in the construction of a second plant in the Southeast US which will significantly increase capacity. The long-term macroeconomic trends associated with the shortage in affordable housing and rentals across North America provide significant medium and long-term upside to our Multi-Storey Window Solutions business line. The number of apartment rental projects, as opposed to condominiums in certain markets is increasing, along with re-skinning projects to convert commercial properties into residential buildings. From a capacity and capabilities standpoint, our Multi-Storey Window Solutions business line is agnostic to the type of project as our subsidiaries have significant experience in all subsectors. We are continuing to see strong levels of inquiry, however conversion to bookings continues to be lower than historical levels as a consequence of the relatively higher interest and mortgage rate environment, oversupply of investor focused condominiums in certain markets and developer uncertainty. Lastly, our Precision Manufacturing & Engineering business line is poised for further growth based on the anticipated increased demand as customers are reshoring manufacturing capabilities to North America coupled with execution of opportunities that are expected to materialize as the business sentiment continues to improve due to demand in the telecommunications, datacenter and defence industries.

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Head Office is not a separate operating segment, but rather represents expenses incurred at the corporate level in support of the various segments. Expenses are anticipated to increase when compared to comparative periods to support continued investment in people including additional head count and compensation expense to support the operating segments, additional investments related to Indigenous Reconciliation programs such as the Atik Mason Pilot Pathway Program and additional costs related to investments in IT and cybersecurity.

Tariffs and Geopolitical Uncertainty

Our Aerospace & Aviation segment is not directly impacted by tariffs, however, may be temporarily exposed to secondary risks associated with tariffs and protectionist policies. Our Essential Air Services and Aerospace business lines may be impacted by short-term fluctuations in foreign exchange rates, raw material escalations due to steel and aluminum tariffs and risks associated with countervailing tariffs should they be enacted. Ultimately, the majority of revenues and expenditures would not be impacted within those business lines, owing to the fact the services they provide are essential in nature and inflationary escalators within certain contracts which offsets the cost increases. Our Aircraft Sales & Leasing business may be a beneficiary of geopolitical uncertainty as aircraft acquisitions may be deferred by airline operators around the world, which would increase demand for parts, leased aircraft and engine assets. To date, we have not experienced any significant negative impact on the Aerospace & Aviation segment resulting from the enacted tariffs.

Our Manufacturing segment may be temporarily exposed to secondary risks associated with tariffs and protectionist policies. Our Environmental Access Solutions and Precision Manufacturing & Engineering business lines do not have significant cross border activities except for the operations of DryAir which are an immaterial component of the overall Manufacturing segment but whose products are Canada-United States-Mexico Agreement compliant. Our Multi-Storey Window Solutions business line has the capability to manufacture goods either in Canada or the US and therefore can mitigate certain of the risks in the medium term. Our Multi-Storey Window Solutions business line has been impacted by aluminum tariffs during fiscal 2025 and continuing into 2026. While we continue to look for alternative suppliers in the US, to date we have been unable to re-orient our supply chain and have shifted manufacturing capabilities to minimize the impact in the shorter term. We have not experienced any significant negative impacts elsewhere in the Manufacturing segment, as our products are generally compliant with the Canada-United States-Mexico Agreement however uncertainty associated with the renewal and extension of the Canada-United States-Mexico Agreement could have impacts on our Manufacturing segment should the agreement not be renewed or significantly altered. We have noted some increases in input costs for steel and aluminum products; however increases are mitigated through risk management activities.

Overall, we have taken several strategic initiatives throughout our operations to mitigate known exposures, however unintended consequences from political decisions and protectionist policies may exist and may not be reliably measurable or mitigated.

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, along with the acquisition of Canadian North, contract wins, inflation related to parts and maintenance, repair and overhaul labour costs, we generally anticipate increases in our Maintenance Capital Expenditures in our Essential Air Services and Aerospace business lines in line with Adjusted EBITDA due to the growth factors previously discussed. The Maintenance Capital Expenditures within our Essential Air Services operations are expected to increase over the prior year comparatives. The Maintenance Capital Expenditures at Canadian North are expected to be higher, on a relative basis, than our other Essential Air Services operations in the next six to nine months due to the timing of maintenance events as aircraft were near the end of their scheduled intervals for required overhauls and heavy checks at the acquisition date coupled with anticipated increased investment in spares and component parts for the fleet. The Maintenance Capital Expenditures at Canadian North thereafter are expected to moderate consistent with our other subsidiaries as we integrate Canadian North with our air operators and include Canadian North in our agreements with maintenance, repair and overhaul partners, including utilization of parts sourced by our Aircraft Sales & Leasing business line. The Maintenance Capital Expenditure on our Aircraft Sales & Leasing business line is expected to increase in line with our anticipated increase in Adjusted EBITDA as we continue to realize the increased utilization within leased aircraft portfolio. Lastly, we anticipate increases in Maintenance Capital Expenditures on our Aerospace business line due to the deployment of the second aircraft to the UK Home Office in the fourth quarter of 2025 along with anticipated increases in the tempo of flying under existing contracts. Maintenance Capital Expenditures for the Manufacturing segment are expected to increase compared to the prior year due to the deferral of the timing of acquisition of replacement equipment from 2025.

Growth Capital Expenditures for Fiscal 2026 will be primarily driven by the contract wins announced within the Aerospace & Aviation segment along with expenditures associated with the build out of the new composite mat plant within the Manufacturing segment. The Growth Capital Expenditures in the Essential Air Services business line primarily relates to the acquisition of the three remaining new King Air aircraft and

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related interior modifications that are required for the British Columbia medevac contract along with the planned redeployment of pre-existing aircraft to service the Newfoundland and Labrador medevac contract which will require some additional investment in airframes and aircraft interiors. Growth Capital Expenditures are also anticipated related to the completion of Canadian North's Ottawa hangar along with investments required for the extended and expanded Air Canada commercial agreement with PAL Airlines. As the Aircraft Sales & Leasing business line is an opportunistic acquirer, Growth Capital Expenditures may be undertaken if opportunities are identified, and returns are commensurate with management's expectations. Based on current opportunities and demand signals, it is expected that we will continue to see further investment in the lease fleet. 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 higher than the prior year due to capital expenditures related to the new composite mat plan in the Southeastern US for the Environmental Access Solutions business line. Furthermore, our Environmental Access Solutions business line constantly monitors the market and may right-size its rental bridge and mat fleet and accordingly, may incur either positive or negative Growth Capital Expenditures.

7. 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 2024 and 2025, strengthening its balance sheet as the Corporation prepared for future growth. These transactions positioned EIC with access to capital to make acquisitions and invest in its operating subsidiaries, all while providing the ability to weather times of economic uncertainty. During the year, the Corporation exercised its right to call the debenture series maturing in 2026, 2028 and 2029, with a significant majority of the debentures converting to equity, as detailed further below. These debenture transactions reduced the Corporation's total leverage and positions the Corporation to continue to execute on its strategy of investing in the growth of its subsidiaries and acquisitive growth. After these debenture transactions, when combined with the extension and upsize of its credit facility discussed further below, the nearest term debt maturities as of the date of this report is the Corporation's credit facility – maturing in January 2030.

On April 28, 2025, the Corporation completed the upsize and extension of its enhanced credit facility. The enhanced credit facility increased to \$3.0 billion from approximately \$2.2 billion, and its term was extended to April 30, 2029, with no change in pricing. On January 26, 2026, subsequent to the end of the year, the Corporation completed a second upsize and extension of its enhanced credit facility. The enhanced credit facility increased to \$3.5 billion from \$3.0 billion, its term was extended to January 26, 2030, and was completed with no change in pricing. The facility also moved from a secured facility to an unsecured one, providing the Corporation with additional financial flexibility. The increased size of the credit facility provides the Corporation with the highest level of available capital in its history, providing the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition. The upsize of the credit facility does not change our conservative view on leverage. Our total leverage ratio has remained consistent since our inception and even with the increased access to capital, our intention is to maintain our historical leverage profile going forward.

As at December 31, 2025, 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 2.73x, with the decrease compared to prior periods attributable to the redemption of convertible debentures funded using the Corporation's credit facility, improved operating performance and a reduction in working capital. As the Corporation receives the benefit of full year contribution from Growth Capital Expenditures already made, this will add downward momentum to the Corporation's aggregate 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 December 31, 2025, the Corporation has liquidity of approximately \$1.3 billion through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position. As discussed above, subsequent to the end of the year, the Corporation added an additional \$500 million in additional liquidity with the credit facility upsize.

As at December 31, 2025, the Corporation had a cash position of \$146 million (December 31, 2024 - \$72 million) and a net working capital position of \$568 million (December 31, 2024 - \$628 million) which represents a current ratio of 1.71 to 1 (December 31, 2024 – 1.97 to 1). The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

	December 31 2025	December 31 2024
Total senior debt outstanding (principal value)	\$ 2,178,907	\$ 1,825,157
Convertible debentures outstanding (par value)	-	344,689
Common shares	1,733,521	1,377,171
Total capital	\$ 3,912,428	\$ 3,547,017

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Credit facility

On April 28, 2025, the Corporation completed the upsize and extension of its credit facility. The enhanced credit facility increased to \$3.0 billion from approximately \$2.2 billion, and its term was extended to April 30, 2029, and was completed with no change in pricing. The credit facility includes \$2,412 million allocated to the Corporation's Canadian Head Office and US \$420 million allocated to EIIIF Management USA, Inc. The amount allocated to the Corporation's Canadian Head Office includes the continuation of the previously announced \$200 million social loan tranche, which is being used to fund the purchase of new King Air aircraft for the long-term medevac contract with the Province of British Columbia. The \$200 million social loan tranche 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.

On January 26, 2026, subsequent to the end of the year, the Corporation amended its credit facility. The size of the enhanced credit facility availability increased to \$3.5 billion from approximately \$3.0 billion, was extended to January 26, 2030, and was completed with no change in pricing. The facility also moved from a secured facility to an unsecured one, providing the Corporation with additional financial flexibility. As of December 31, 2025, the Corporation had drawn \$387 million and US \$1,307 million (December 31, 2024 - \$350 million and US \$1,025 million).

The Corporation's long-term debt, net of cash, increased by \$279 million since December 31, 2024. The increase is attributable to investments in Growth Capital Expenditures and the acquisitions of Newfoundland Helicopters and Canadian North as discussed in *Section 3 – Investing Activities*, partially offset by cash inflows from working capital.

During the year, 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 December 31, 2025, US \$817 million (December 31, 2024 – US \$562 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the year, 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

Following the completion of the Corporation's early redemption of its 7 year 5.25% convertible debentures maturing January 15, 2029 on December 2, 2025, the Corporation has no convertible debentures outstanding as at December 31, 2025. The following summarizes the changes in the amounts of convertible debentures outstanding during the year ended December 31, 2025:

Par value	Balance, beginning of year	Issued	Converted	Redeemed / Matured	Balance, end of year
Unsecured Debentures – March 2019	85,957	-	(78,383)	(7,574)	-
Unsecured Debentures – July 2021	143,732	-	(135,929)	(7,803)	-
Unsecured Debentures – December 2021	115,000	-	(106,213)	(8,787)	-
Total	\$ 344,689	\$ -	\$(320,525)	\$(24,164)	\$ -

During various times during the year, the Corporation completed the early redemptions of all remaining convertible debenture series as follows:

- On February 13, 2025, the Corporation completed the early redemption of its 7 year, 5.75% convertible debentures;
- On September 29, 2025, the Corporation completed the early redemption of its 7 year, 5.25% convertible debentures;
- On December 2, 2025, the Corporation completed the early redemption of its 7 year 5.25% convertible debentures.

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Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the year ended December 31, 2025:

	Date issued	Number of shares
Shares outstanding, beginning of year		49,602,431
Issued upon conversion of convertible debentures	various	5,949,132
Issued under dividend reinvestment plan (DRIP)	various	323,495
Issued under employee share purchase plan	various	66,813
Issued under Indigenous community partnership agreements	April 2, 2025	3,500
Issued to Newfoundland Helicopters vendor on closing	May 12, 2025	26,230
Issued to Canadian North vendors on closing	July 1, 2025	158,297
Shares outstanding, end of year		56,129,898

The Corporation issued 323,495 shares under its dividend reinvestment plan during the period and received \$19 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 66,813 shares under its Employee Share Purchase Plan during the period and received \$4 million for those shares in accordance with the Employee Share Purchase Plan.

The Corporation issued shares to the vendors of Newfoundland Helicopters as part of the consideration paid on completion of the acquisition. In total, 26,230 shares were issued, representing purchase price consideration of \$1 million.

The Corporation issued shares to the vendors of Canadian North as part of the consideration paid on completion of the acquisition. In total, 158,297 shares were issued, representing purchase price consideration of \$9 million.

The weighted average shares outstanding during the three months and year ended December 31, 2025, increased by 14% and 10%, respectively compared to the prior period. The increase is primarily attributable to shares issued from the conversion of debentures, shares issued as part of the acquisition of Spartan in 2024, shares issued as part of the acquisition of Newfoundland Helicopters and Canadian North in the current period, and shares issued in connection with the Corporation's dividend reinvestment plan.

Normal Course Issuer Bid

On March 27, 2025, the Corporation renewed its NCIB for common shares. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 31, 2025, and ending on March 30, 2026. The Corporation can purchase a maximum of 4,811,929 shares and daily purchases will be limited to 26,182 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.

During the year ended December 31, 2025, the Corporation did not make any purchases under either NCIB and therefore still has the full amounts detailed above available for repurchase.

Schedule of Financial Commitments

The following are the financial commitments of the Corporation and its subsidiaries at December 31, 2025:

	Total	Less than 1 year	Between 1 year and 5 years	More than 5 years
Long-term debt (principal value)	\$ 2,178,907	\$ -	\$ 2,178,907	\$ -
Lease payments excluded from right of use lease liability	44,479	13,751	19,850	10,878
Right of Use lease liability payments (undiscounted value)	285,258	66,914	162,331	56,013
	\$ 2,508,644	\$ 80,665	\$ 2,361,088	\$ 66,891

8. RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Corporation with related parties.

The Corporation leases several buildings from related parties who were vendors of businesses that the Corporation has acquired. These vendors are considered related parties because of their continued involvement in the management of those acquired businesses. These leases are considered to be at market terms and are recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2025 for related party leases was \$4.4 million (2024 – \$4.5 million) and the lease term maturities range from 2026 to 2030.

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Key Management Compensation

The Corporation identifies its key management personnel as being those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director of the Corporation's board (whether executive or otherwise). The key management personnel include the executive management team and the Board of Directors.

Compensation expensed for key management during the 2025 year, and the comparative 2024 year is detailed in the table below. Share based compensation vests over a period of up to three years and is expensed over that period. Awards under the Restricted Share Plan are expensed over the three year vesting period and the expense recognized, ignoring the impact of the Corporation's Restricted Share Plan derivative hedge, is impacted by the change in share price of the restricted shares issued. The increase over the prior year in share-based compensation is driven primarily by the impact of increased share price, which results in fair value adjustments and increases the amounts expensed. The Corporation hedges this exposure and as such, the Corporation does not fund the cost of the increased price. The chart below shows the amount received by the employee, not the cost to the Corporation.

Year Ended December 31,	2025	2024
Salaries and short-term benefits	\$ 11,523	\$ 8,597
Share-based compensation expense	13,214	6,720
	\$ 24,737	\$ 15,317

Co-investments with CRJ Capital Corp.

CRJ Capital Corp., a corporation controlled by the CEO of Regional One, can, subject to the approval of the Corporation, co-invest with the Corporation, on a non-controlling basis, in certain aircraft assets. As a co-investor in these isolated aircraft assets, CRJ Capital Corp. receives distributions as money is collected on the sale or lease of the aircraft assets. In connection with this agreement, the CEO of Regional One has extended his non-compete agreement with the Corporation. The assets are managed by Regional One and Regional One charges a management fee to CRJ Capital Corp. for services rendered. Cash flow returns are paid out when collected from the customer and therefore there can be a delay between when income is recognized and when returns become paid or payable to CRJ Capital Corp.

During 2025, CRJ Capital Corp. invested US \$0.2 million (2024 - US \$0.2 million). CRJ Capital Corp.'s total investment generated cash flow returns paid or payable of US \$0.1 million (2024 - US \$1.5 million). As a result of the sale of certain assets, depreciation recorded on its leasing assets, and the return of initial investment to CRJ Capital Corp., the remaining assets attributable to CRJ Capital Corp. at December 31, 2025, were US \$3.4 million (December 31, 2024 - US \$3.2 million). At December 31, 2025, US \$0.1 million is recorded as an account payable to CRJ Capital Corp. (December 31, 2024 - account receivable of US \$0.1 million).

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated 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. The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements. These underlying assumptions are reviewed on an ongoing basis. Actual results could differ materially from those estimates.

Accounting Estimates

Business Combinations

The Corporation's business acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the subsidiary, and the equity interests issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Corporation is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability are generally recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer contracts, customer relationships, customer lists, order backlog, certifications, software intellectual property ("IP"), and brand names. To determine the fair

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value of customer-based intangible assets (excluding brand names), the Corporation uses the excess earning method. This valuation technique values the intangible assets based on the capitalization of the earnings, which are calculated to be in excess of what a reasonable amount of earnings would be on the tangible assets used to generate the earnings. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates, and anticipated average income tax rates. To determine the fair value of the brand name and software IP intangible assets, the Corporation uses the royalty relief method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates, and anticipated average income tax rates. To determine the fair value of the certifications, the Corporation uses the cost approach. This valuation technique values the intangible assets based on the estimated costs a market participant would incur to obtain the certification.

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions are reassessed each period end subsequent to 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 year, there was no change to the estimated final payment to vendors (2024 – \$nil).

Long-term Contract Revenue Recognition

Revenue and income from fixed price construction contracts are recognized over time using the methodology that most accurately reflects the transfer of goods to the customer. The Corporation has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance factors, contract profit can differ significantly from earlier estimates. Management believes, based on its experience that its current systems of management and accounting controls allow the Corporation to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions, changes in underlying raw material cost estimates, and the accuracy of the original bid estimate. Accordingly, management applies significant judgment to estimate the costs to complete these long-term construction contracts, including the use of significant assumptions with respect to estimated labour costs, material costs and subcontracting costs, as applicable.

Since the Corporation has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates on larger, more complex construction projects can have a material impact on the Corporation's consolidated financial statements and are reflected in the results of operations when they become known.

Estimating the transaction price of a contract is an involved process that is affected by a variety of uncertainties that depend on the outcome of a series of future events. The estimates must be revised each period throughout the life of the contract when events occur and as uncertainties are resolved. The major factors that must be considered in determining total estimated revenue include (a) the basic contract price, (b) contract options, (c) change orders, (d) claims, and (e) contract provisions for penalty and incentive payments, including award fees and performance incentives. The Corporation is required to make estimates of variable consideration in determining the transaction price, subject to the guidance on constraining estimates of variable consideration.

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, the Corporation will include in the transaction price an estimate of the variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Claims are amounts in excess of the agreed contract price or amounts not included in the original contract price, that the Corporation seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute, or unapproved as to both scope and price, or other causes of unanticipated additional costs. Judgment is required to determine if the claim is an enforceable obligation based on the specific facts and circumstances, however, the Corporation will include in the transaction price an estimate of the variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Given the above-noted critical accounting estimates associated with the accounting for construction contracts, it is possible, based on existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected.

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Depreciation & Amortization Period for Long-lived Assets

The Corporation makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets, the Corporation's aircraft fleet plans, and the cash flows expected to be generated from them. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in utilization of the aircraft, changing market prices for aircraft of the same or similar types, and changes in the utilization of other major manufacturing equipment and buildings. Estimates and assumptions are evaluated at least annually. Generally, these adjustments are accounted for as a change in estimate, on a prospective basis, through depreciation or amortization expense. For the purposes of sensitivity analysis on these estimates, a 50% reduction to residual values on the Corporation's aircraft with remaining useful lives greater than five years as at December 31, 2025, would result in an increase of approximately \$15.5 million (2024 - \$11.7 million) to annual depreciation expense. For the Corporation's aircraft with shorter remaining useful lives and other major manufacturing equipment and buildings, the residual values are not expected to change significantly.

Impairment Considerations on Long-lived Assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and all indefinite life intangibles are assessed for impairment at least annually. Impairment testing is performed on long-lived assets by comparing the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.

Fair value less costs of disposal calculates the recoverable amount using Adjusted EBITDA multiples based on financial forecasts prepared by management (level 3 within the fair value hierarchy).

Intangible Assets

The recoverable amount is forecasted with management's best estimate using market participant assumptions considering historical and expected operating plans, current strategies, economic conditions, and the general outlook for the industry and markets in which the cash generating units operate.

The recoverable amount of the CGUs was based on value in use using a discounted cash flow model, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates, and future growth rates. The assumptions include the Corporation's pre-tax weighted average cost of capital at the assessment date (level 3 within the fair value hierarchy). Management has prepared cash flow estimates for a three year period which are extrapolated using an estimated terminal growth rate of 3.0% and a discount rate (pre-tax) of 15%.

The Corporation has concluded that there are no impairments of its indefinite lived intangible assets as a result of this assessment as at December 31, 2025.

Goodwill

The recoverable amount of the goodwill CGUs was calculated based on the fair value less costs of disposal, using an Adjusted EBITDA multiple approach (Level 3 within the fair value hierarchy) based on the Corporation's assessment of market participant assumptions.

The Corporation used its forecasted Adjusted EBITDA based on its approved budget and used its best estimate of market participant Adjusted EBITDA multiples (Level 3 within the fair value hierarchy). The Adjusted EBITDA multiple used for the Aerospace & Aviation segment was 9.5x (2024 – 8.0x) and was 8.0x (2024 – 7.5x) for the Manufacturing segment. The Corporation will, at times, perform various scenario and sensitivity analysis when calculating the recoverable amounts of CGUs which may include alternative models and assumptions.

The Corporation has concluded that there was no impairment of its goodwill CGUs as a result of this assessment at December 31, 2025.

Deferred Income Taxes

The Corporation is subject to income taxes in Canada, the United States, and certain other jurisdictions. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation maintains provisions for uncertain tax positions that are believed to appropriately reflect our risk with respect to tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Corporation regularly assesses the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by the relevant taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

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Critical Accounting Judgments

Measurement and Presentation of Capital Assets and Inventory

The Corporation may purchase certain aircraft and aircraft components in the normal course of the operations. The Corporation must assess whether the aircraft and engines should be recognized as either inventory or capital assets depending on the anticipated use of such assets, including the ability to lease these tangible assets to customers. The determination is based on available cycle times related to aviation components and whether such assets are expected to be used over several periods, in which case they would be classified as capital assets and depreciated over their useful lives commencing when the asset is available for use and capable of operating in a manner intended by management. The Corporation reviews its tangible assets on a regular basis to assess whether reclassifications are required between capital assets and inventory.

In the normal course of business, it may acquire entire aircraft or components of an aircraft for breakdown into saleable parts. The Corporation relieves cost out of inventory using the average cost to sales percentage based on the expected selling price. Accordingly, the carrying value of inventory and recognition of the related cost of sale requires estimates related to the margins that the Corporation will ultimately earn on the parts. The Corporation has a process whereby such estimates are reviewed and assessed for reasonableness on a regular basis and the underlying inventory may be appraised by a third party. However, due to unforeseen changes in market conditions or other factors, the estimated average cost to sales percentages may differ significantly from earlier estimates. Management believes, based on its industry experience, that its current systems of management and accounting controls allow the Corporation to produce materially reliable estimates of the carrying value of inventory and related cost of sales. However, many factors can and do change throughout a component part's life, which can result in a change to future average cost to sales percentage estimates. Some of the factors that can change include significant changes in worldwide utilization of certain aircraft types which the parts support, the available supply of original equipment manufacturer or aftermarket parts, and changes in airworthiness directives by aviation authorities. Such changes can alter the supply and demand associated with the Corporation's parts inventory and therefore, it is possible that outcomes within the next financial year could be different from the estimates and assumptions and could result in an impairment of inventory or a decrease in the average cost to sales percentage on future sales.

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

10. ACCOUNTING POLICIES

The accounting policies of the Corporation used in the determination of the results for years ended December 31, 2025, and 2024 that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2025 consolidated financial statements.

11. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

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

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

Management has evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting as at December 31, 2025, and has concluded that the internal controls over financial reporting are effective.

Newfoundland Helicopters was acquired on May 12, 2025 and Bradley Air Services Limited, operating as Canadian North, was acquired on July 1, 2025. In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design and evaluation of internal controls over financial reporting to exclude the controls at each of these entities as management has not completed its review of internal controls over financial reporting for these newly acquired companies. These entities had revenue of \$299 million included in the consolidated results of the Corporation for the year ended December 31, 2025. As at December 31, 2025, these entities had current assets of \$108 million, non-current assets of \$381 million, current liabilities of \$143 million, and non-current liabilities of \$119 million.

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There have been no other material changes to the Corporation's internal controls during the 2025 year that would have materially affected or are likely to materially affect the internal controls over financial reporting.

On January 31, 2026, subsequent to the end of the period, the Corporation completed the acquisition Mach2. 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 2026.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to management in a timely manner and that information required to be disclosed by the Corporation is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were effective as at December 31, 2025.

12. RISK FACTORS

The Corporation and its subsidiaries ("Subsidiary" or "Subsidiaries") are subject to a number of risks. These risks relate to the corporate structure of the Corporation and the operations of the Subsidiaries. The risks and uncertainties described below are all of the significant risks that management of the Corporation is aware of and believe to be material to the business and results of operations of the Corporation. When reviewing forward-looking statements and other information contained in this report, investors and others should carefully consider these factors, as well as other uncertainties, potential events, and industry and Corporation-specific factors that may adversely affect future results of the Corporation. The Corporation and its Subsidiaries operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management of the Corporation to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this report to reflect new events or circumstances, except as may be required by law.

RISK GOVERNANCE

The Corporation maintains an Executive Risk Committee and a formalized framework whereby it applies an ongoing systematic approach to managing conditions of uncertainty by applying policies, procedures, or practices in the analysis, evaluation, control, and communication of its key risks. This Enterprise Risk Management ("ERM") framework is a top-down driven initiative that strives to promote a culture of risk awareness and where possible, integrates risk management into strategic, financial, and operational objectives from the head office level through to its Subsidiaries. This ongoing process includes an assessment of current risk exposures, including vulnerability and impact, risk mitigation activities currently in place to address such exposures and additional risk mitigation activities to consider going forward. Furthermore, any new risks are discussed and appropriately addressed at such times.

For each identified risk, a risk leader has been identified and is accountable for implementing measures to further mitigate the impact of such risks and/or limit the likelihood of these risks from materializing. The risk leader works with the Corporation's respective functions (i.e. finance, legal, information technology, operations, and/or human resources) in the design and implementation of the corresponding risk mitigating actions. The Risk and Controls department will further provide a level of assurance on the effectiveness and efficiency of controls over these mitigating actions as necessary. A summary of this risk evaluation is presented each quarter to the members of the Audit Committee and the Board to report on the changes in the overall position of the Corporation's current risk exposures and mitigation activities from the previous quarter.

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The most significant risks are categorized by their source and described as follows:

External	<ul style="list-style-type: none"> • 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 and/or Social Unrest • Pandemic • Level and Timing of Government Spending • Government-Funded Programs • Environmental, Social and Governance
Operational	<ul style="list-style-type: none"> • 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 • Cybersecurity • 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
Financial	<ul style="list-style-type: none"> • Availability of Future Financing • Income Tax Matters • Commodity Risk • Foreign Exchange • Interest Rates • Credit Facility • Dividends • Unpredictability and Volatility of Securities Pricing • Dilution Risk • Credit Risk • Credit Rating
Human Capital	<ul style="list-style-type: none"> • Reliance on Key Personnel • Employees and Labour Relations • Conflicts of Interest

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EXTERNAL RISKS:

Economic and Geopolitical Conditions

Changes in economic or geopolitical conditions could have an adverse effect on the Corporation's business, results from operations, and financial condition.

External economic factors over which the Corporation exercises no influence could affect customer demand and disposable income. Economic and geopolitical conditions may impact demand for products and services provided by the Corporation's Subsidiaries and in general may also impact the Corporation's operating costs, costs and availability of fuel, foreign exchange costs, and costs and availability of capital. These conditions of instability may be further exacerbated by results of upcoming political elections throughout the world, geopolitical events, or changes in global trade. A weaker economy will impact the Corporation's ability to sustain its operating results and create growth.

A downturn in economic growth could have the effect of reducing demand for passenger travel, as well as the demand for charter and cargo services in Essential Air Services. Reduced demand will have an impact on revenue, but will have a larger impact on profitability because of the significant fixed costs of Essential Air Services' operations. The exposure to economic risk is mitigated as many of the communities serviced by Essential Air Services have no alternative transportation access, making aviation services a de facto essential service. In addition to the sensitivity of operations to cycles driven by the economy, the operating results of Essential Air Services are also subject to seasonal fluctuations due to a variety of factors including weather, changes in purchasing patterns, pricing policies, and the demand and supply levels of aviation related assets.

Aerospace is affected by changes in economic and geopolitical conditions. Geopolitical events drive the need for Aerospace related services such as maritime surveillance, larger aerospace modification contracts or mission system software. If the number of such events decrease, so does potentially the need for Aerospace related services. Many of these contracts are long-term, significant dollar contracts that continue to exist as minimum regional or national safeguards; therefore, even as such events and conditions change, there is a certain level maintained as a necessity in many instances to ensure the continued safety of the region or country.

Aircraft Sales & Leasing is exposed to economic factors that adversely impact the global commercial aviation industry generally. The global commercial aviation industry is historically cyclical and has been negatively affected in the past by geopolitical events, high oil prices, lack of capital, and weak economic conditions. As a result of these economic conditions, Aircraft Sales & Leasing has had customers that have ceased operations or filed for bankruptcy or otherwise reorganized in the past. In addition, any reduction in the global operating fleet of aircraft will result in reduced demand for parts and maintenance activities for the type of aircraft involved. Further, tight credit conditions may negatively impact the amount of liquidity available to customers to buy parts, services, engines, and aircraft. A deteriorating airline environment may also result in airline bankruptcies, and an inability to fully collect outstanding accounts receivable. It may also diminish the ability to deploy aircraft that are part of a lease pool.

With the ongoing geopolitical instability around the world, the cost of Hull and War insurance on the Corporation's aircraft has increased significantly and a number of insurers have exited this market altogether. Depending on the size of losses incurred by insurers, this type of insurance may become more costly or could prove difficult to obtain in the future. Furthermore, insurance contracts may exclude certain jurisdictions and countries. Geopolitical events could result in an increase in the number of excluded jurisdictions and countries.

Inflation experienced around the world has had a negative impact on the Corporation's operations through increased costs of everyday goods, materials used in production, and the cost to recruit and retain employees. While inflation has come down from its peak in mid-2022, inflation not remaining at historical norms could have a negative impact on the Corporation's profitability if these increased costs could not be passed onto the Corporation's customers. Furthermore, this could result in increased interest rates and borrowing costs for the Corporation.

Central banks around the world have begun to reduce borrowing rates as inflationary pressures slow; however, ongoing geopolitical uncertainty and the potential for increased tariffs and trade barriers add uncertainty to the outlook for inflation and interest rates. In addition, rapidly changing international policy from the United States is increasing volatility, the outcome of which for the Corporation is uncertain at this point in time. As such, there are increased concerns that countries in which the Corporation operates could enter into a recession in the coming years. In the event of a recession, demand for certain of the Corporation's goods and services could be materially negatively impacted.

Negative changes in the economy will impact each of the Corporation's Manufacturing segment subsidiaries differently as they are diversified and geographically dispersed. For instance, a downturn in the oil and gas industry will have a greater impact on some regions, like Alberta and North Dakota, whose economies are driven by oil and gas more than others. A shift in government spending towards larger projects in the transmission and distribution, pipelines, or oil and gas initiatives, could impact Environmental Access Solutions' pipeline of future work or larger project renewals. With ongoing uncertainties in the US political environment, a US economic downturn impacts Subsidiaries operating in the Environmental Access Solutions, Multi-Storey Window Solutions and Precision Manufacturing & Engineering business lines more than the Corporation's other operations as their products and services are provided to a wide variety of US customers. Certain

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Subsidiaries within Precision Manufacturing & Engineering may be further impacted by the large customer capital expenditure programs that are often on different cycles than the general economy or may be dependent upon governmental decisions on defence and security spending. The Manufacturing segment has historically experienced some time lag between the economy weakening and the reduced demand for its products as the Manufacturing segment generally has a reasonable order backlog, as well, some of the Manufacturing segment's projects are longer in nature, which gives it a buffer to prepare for a reduction in demand.

Competition

New competition or increased competition could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Essential Air Services currently focuses on niche markets across Canada and experiences various levels of competition depending on the geography and the nature of the service provided. The objective of this business line is to provide the best service through efficient management of operations, maintaining an owned fleet of appropriately sized aircraft, maintaining significant ground infrastructure and fostering strong relationships with customers and communities. Essential Air Services would be exposed to downside earnings risk if a well-capitalized competitor were to commence operations, or if a current competitor were to significantly expand services, in the niche markets where the Subsidiaries currently operate. The greatest impact would be on the Essential Air Services' scheduled operations, as competition would put pressure on load factors resulting in declining margins due to the nature of fixed costs in these Subsidiaries. This impact would be more pronounced in the short-term until the affected Subsidiary made the appropriate operational changes to respond to the competition.

The design and build business within Aerospace is largely driven by the customization of aircraft and the integration of various component systems. The market for such products and services is highly competitive and Aerospace faces competition from a number of sources, both domestic and international, including original equipment manufacturers ("OEM").

The markets for the products and services of Aircraft Sales & Leasing are highly competitive. This business line faces competition from a number of sources, both domestic and international. Competitors include aircraft and aircraft parts manufacturers, airline and aircraft service companies, other companies providing maintenance, repair and overhaul services, other aircraft spare parts distributors and redistributors, aircraft leasing companies and other after-market service providers. Some of these competitors may have substantially greater financial and other resources than Aircraft Sales & Leasing has, and others may price their products and services below the business line's selling prices.

The markets for the products of the Corporation's Manufacturing segment are competitive; however, the level of competition is lower on the more customized products as a result of the uniqueness of the products. Increased competition from current or new competitors would put pressure on margins and revenues. The Manufacturing segment's current competitive position in its principal markets is sound and the Subsidiaries within the Manufacturing segment continuously look to differentiate themselves from their competitors by providing value-added services that competitors may not be able to provide.

The competitive environment in the manufacturing industry has been impacted by customers seeking to take advantage of the low cost environments that exist in certain countries. As a result, there is the possibility of increased competition from suppliers that have manufacturing operations in these countries.

Government Funding for Indigenous Health Care

Many of the communities to which Essential Air Services provides services to have very limited medical resources and as a result, trips to medical facilities outside of their communities are required to seek adequate medical care. Certain Subsidiaries within Essential Air Services invoice the Government of Canada for the cost of the ticket for the trips. Medevac flights are utilized when a patient requires urgent care at a larger medical facility and cannot wait for a scheduled flight, or is in such a condition that would make travel on a regular flight impossible. If any or all of the government agencies that are serviced by Essential Air Services decide to reduce or eliminate funding for medical-related transportation services, this would have a significant negative impact on the applicable Subsidiary, which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Access to Capital

One of the objectives of the Corporation is to continue to acquire additional companies and invest in growth capital expenditures to expand and diversify the Corporation's investments. The ability to achieve this objective is dependent on the Corporation's ability to raise funds in the capital markets. If the capital markets' desire for income producing investments were to significantly decrease, the Corporation would have difficulty in executing its acquisition objectives or funding organic growth initiatives.

Market Trends and Innovation

The success of the Subsidiaries is dependent on their ability to anticipate and respond in a timely manner to changing consumer preferences, tastes and demands. Accordingly, any sustained failure to identify and respond to emerging trends could adversely affect consumer acceptance of products or the ability to continue to obtain orders, which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

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The Subsidiaries continue to invest in technology and innovation as the industries in which they operate are constantly undergoing development and change. Technology is undergoing rapid advancements, such as with the development of artificial intelligence (“AI”). The Subsidiaries’ ability to anticipate changes in technology to successfully develop and introduce new and enhanced products or to purchase new equipment and train employees on a timely basis using such technologies will be a significant factor in the Corporation’s Subsidiaries remaining competitive. If there is a shift away from the use of such technologies, costs may not be recovered, adversely affecting the Corporation’s results of operations and financial condition. In addition, if other technologies in which the investment of the Subsidiaries is not as great or their expertise is not as fully developed emerge as the industry-leading technologies, the Subsidiaries may be placed at a competitive disadvantage, which could have an adverse effect on the Corporation’s business, results from operations, and financial condition.

General Uninsured Loss

Each of the Corporation’s Subsidiaries carries comprehensive general liability, fire, flood and extended coverage insurance with policy specifications, limits and deductibles customarily carried for similar businesses. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, fungal, viral, bacterial, or environmental contamination, which are either uninsurable or not fully insurable on an economically viable basis. Should an uninsured or underinsured loss occur, anticipated profits and cash flows could be negatively impacted, which could have an adverse effect on the Corporation’s business, results from operations, and financial condition.

Climate

The Corporation’s results of operations could be impacted by fluctuations from weather and natural disasters. Severe weather conditions and natural disaster conditions can significantly disrupt service by impeding the movement of goods or disruptions with landing and take-offs, which could have an adverse effect on the Corporation’s business, results of operations and financial condition. This disruption could also impact Essential Air Services’ ability to maintain its flight training schedules, leading to fewer flights being flown. In addition, increases in frequency, severity or duration of severe weather events, including changes in the global climate, could result in increases in fuel consumption to avoid such weather, turbulence-related injuries, delays and cancellations, any of which would increase the potential for loss of revenue and higher costs. Certain of the Subsidiaries within the Essential Air Services business line are impacted by the length of winter road season, which is impacted by the weather during the first few months of the calendar year. The colder the winter season, the longer the winter roads are available for customers to use as an alternative to flying with these operators. Similarly, Environmental Access Solutions can also be affected by shifting climate variables such as length of the winter season or precipitation levels, which can impact the potential need for the use of its services and rental mats and bridges.

The effects of climate change could create further operational and financial implications indirectly through supply chain disruptions that could impact the availability and/or cost of materials. This could further impact the Corporation’s strategic decisions on utilizing existing facilities or expanding into new geographies where physical climate risks are becoming more volatile. Any of these factors can result in increased pricing for the Corporation’s products and services, the resources needed to obtain and/or manufacture and service, or their related insurance costs.

As climate change initiatives and regulations remain fragmented with diverging national approaches and pauses/changes in major frameworks, the continued lack of consistent legislation could create economic and regulatory uncertainty. This uncertainty could affect the methods in which the Corporation manufactures, its ability to operate at current service levels or schedules, or associated costs. Furthermore, as the Corporation operates in multiple jurisdictions, its ability to ensure compliance could create unexpected exposure or additional costs, particularly if different regulations are adopted.

Acts of Terrorism, Armed Conflict, Labour and/or Social Unrest

The occurrence of a terrorist attack could cause a decrease in passenger demand for travel and an increase in security measures, travel restrictions, and related costs in Essential Air Services. Furthermore, acts of terrorism or similar events could impact the supply chain for both the Manufacturing and Aerospace & Aviation segments or the protection and accessibility of physical assets. This could have an adverse effect on the Corporation’s business, results from operations, and financial condition.

Pandemic

The occurrence or reoccurrence of contagious diseases or pandemic events could have a significant impact on passenger demand for air travel, cause shortages of employees to staff the Corporation’s facilities, interrupt supplies from third parties upon which the Corporation relies for its inputs, and ultimately, its ability to continue full operations. The extent to which such events may impact the Corporation’s business going forward is dependent on many factors. The Corporation is unable to predict what actions governments will take, or what customer sentiment will be going forward, which may intensify this impact or other correlated risks described herein. This uncertainty influences for example: discretionary spending, government restrictions, customer demand, supply chain, safety, and vaccination effectiveness and coverage. The Corporation can never predict the likelihood of a pandemic event occurring nor the impact it could have on operations. A pandemic could have an adverse effect on the Corporation’s business, results from operations, and financial condition.

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Level and Timing of Government Spending

A significant portion of the revenues in Aerospace, and to a lesser extent, Precision Manufacturing & Engineering, comes from sales to aerospace and defence customers, including sales to governments, directly and indirectly, from various countries. If government spending on their products and services decreases, these business lines will experience the effects of program restructures, reductions and cancellations which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Government-Funded Programs

Like most companies that supply products and services to governments, the Corporation and its Subsidiaries can be audited and reviewed from time to time. Some costs may not be reimbursed or allowed in negotiations of fixed-price contracts. Any adjustments that result from government audits and reviews may have an adverse effect on the Corporation's business, results from operations, and financial condition.

Environmental, Social and Governance

Stakeholders and public markets are increasingly requiring that public companies be recognized as corporately responsible in adhering to various environmental, social and governance ("ESG") criteria. Such factors include having awareness of the Corporation's impact on the environment, its social involvement with its stakeholders, and the methods by which the Corporation governs its business. While the Corporation has always considered these factors in the fabric of its business, for instance by considering fuel efficiency factors for its aircraft, being actively involved in the communities it services, in the human rights standards practiced, or in its approach to overall corporate governance, it is possible that the perceptions of such initiatives may not fully meet the definition of what stakeholders define the Corporation's ESG responsibilities to be or in the extent of its efforts. The inclusion (or lack thereof) of such factors in the Corporation's practices and strategy could have an impact on the Corporation's business, results from operations, and financial condition, and its reputation.

This is further emphasized by ongoing advancements and implementation of global strategies and disclosure requirements supporting various ESG related matters that continue to change at a rapid pace. On December 18, 2024, the Canadian Sustainability Standards Board (CSSB) released their Canadian Sustainability Disclosure Standards (CSDS), which are substantively identical to the International Sustainability Standards Board (ISSB) IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" published on June 26, 2023. CSDS 1 sets out to establish general requirements for the disclosure of material sustainability-related financial information. CSDS 2 focuses on the disclosure of climate-related financial information, including associated governance, strategy, risk management and metrics related to climate change. The CSDS became effective January 1, 2025, on a voluntary basis, and will remain voluntary unless and until they are incorporated into securities legislation by the Canadian Securities Administrators (CSA) or mandated by provincial or federal regulators. As of today's date, no Canadian regulator has yet adopted the CSDS as mandatory requirements and should they become mandatory there may be an increased cost of compliance. Furthermore, there is ongoing change regarding similar regulatory requirements in other jurisdictions where the Corporation operates. If adoption of these standards were to occur, it may have an immediate impact to current processes and strategies that could further impact the Corporation's business and results from operations, and financial condition. The Corporation continues to monitor the activities of regulators in Canada and those other applicable jurisdictions which may have an impact on the Corporation, while continuing to engage in consultations and participate in programs to focus on such matters.

OPERATIONAL RISKS:

Significant Contracts and Customers

The Corporation and its Subsidiaries are currently parties to a number of significant contracts with key customers, including governments. Within the Aerospace & Aviation segment, these significant contracts are for a variety of services but primarily relate to charter work, cargo, medevac services, medical related passenger travel, aircraft modifications, airborne maritime surveillance operations, the maintenance of certain specialized surveillance and other purpose built aircraft, and advanced pilot and sensor operator training solutions. Within the Manufacturing segment, these significant contracts are for the production or installation of certain products and maintenance related services. Overall, the Corporation's significant contracts are spread over a number of different Subsidiaries, thereby reducing the Corporation's overall reliance on a single contract or customer. The loss of significant contracts or customers could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Operational Performance and Growth

The Corporation's principal source of funds is cash generated from its Subsidiaries and other investments. It is expected funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing performance levels. If additional capital and operating expenditures depend on increased cash flow or additional financing in the future, the lack of those funds could limit or delay the future growth of the Subsidiaries and their cash flow. Furthermore, the underperformance of a material Subsidiary and/or under achievement of expected efficiencies between Subsidiaries could have an adverse effect on the Corporation's business, results from operations, and financial condition by also limiting or delaying future growth of the Subsidiaries and their cash flow, while potentially impacting the amount of cash available for dividends to the Shareholders.

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Laws, Regulations and Standards

The Corporation and its Subsidiaries are subject to a variety of federal, provincial, state and local laws, regulations, and guidelines including but not limited to income, health and safety, competition, employment standards, securities laws (disclosure and insider trading), privacy laws, and airline safety. New, or changes in, accounting standards and pronouncements may also impact the Corporation's financial results. Failure by the Corporation to comply with applicable laws, regulations and standards could result in financial penalties, assessments or legal action that could have an adverse effect on the reputation and financial results of the Corporation and its Subsidiaries. Furthermore, the financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

The airline industry in Canada, the United States and elsewhere in the world is subject to strict government standards and regulations. Government entities such as Transport Canada, the Competition Bureau, the Canadian Transportation Agency ("CTA"), the Federal Aviation Administration ("FAA"), and other government entities may implement new laws or regulatory schemes, or render decisions, rulings, or policy changes that could have an adverse effect on the airline industry in general by significantly increasing the cost of airline operations, imposing additional requirements on operations, increasing airport and/or user fees, or reducing the demand for air travel.

The Subsidiaries within the Essential Air Services business line have been subject to Pilot Fatigue and Flight Duty Time Regulations implemented over the last five years. Transport Canada continues to update regulatory guidance material for this subject, which may require operators to make changes to their schedules or impact the number of required pilots. This impact is recognized as industrywide, and the Corporation and its Essential Air Services business line continue to implement and enhance a multidimensional strategy to address aviation industry pilot recruitment and retention challenges inclusive of this additional regulatory impact. Flight schedules, operating schedules, and fatigue risk management systems continue to be examined and adjusted to mitigate the impacts of these regulations.

In December 2024, the Canadian Transportation Agency ("CTA") published proposed amendments to the Air Passenger Protection Regulations ("APPR") for a 75-day public consultation period ending March 6, 2025. These amendments are being advanced in response to legislative changes introduced through the *Budget Implementation Act, 2023*, which amended the *Canada Transportation Act* to clarify, simplify, and strengthen Canada's air passenger protection framework. The proposed amendments include more prescriptive requirements regarding compensation eligibility, rebooking and refund obligations, standards of treatment during flight disruptions, processes for handling passenger claims, and mandatory seating arrangements for children under 14 next to a parent or guardian. If these amendments are finalized and implemented as drafted, they could increase the Corporation's operating costs, require modifications to existing customer service and claims-handling processes, and adversely affect the Corporation's business, results from operations, and financial condition.

In August 2021, the Pay Equity Act came into force, impacting the Corporation's federally regulated Subsidiaries, including those within the Essential Air Services business line. The legislation required plans to be developed within three years for employers to examine and adjust any gender wage gaps within their Subsidiaries for work of equal value. Ongoing obligations now include annual compliance filings beginning June 30, 2025, periodic plan updates, and potential audits by the Pay Equity Commissioner. Failure to comply could result in an adverse effect on the Corporation's business, results from operations, and financial condition.

The Government of Canada's pan-Canadian carbon pricing framework continues to apply to a broad range of emissions, including fossil fuels used in aviation. On March 14, 2025, the federal government set federal fuel charge rates to zero effective April 1, 2025, removing the consumer-facing carbon levy while maintaining carbon pricing through industrial systems such as provincial or federal output-based programs. Provinces and territories continue to operate varied carbon pricing systems under federal benchmark criteria, and industrial emitters remain subject to compliance obligations under these programs. These measures continue to affect fuel and operational costs for Subsidiaries within the Essential Air Services business line and may indirectly influence costs across the Corporation's broader supply chain. Furthermore, the Corporation may be subject to mandated greenhouse gas emissions reduction, reporting or carbon trading requirements in other jurisdictions where the Corporation operates. To the extent such costs cannot be fully recovered or fully passed through, they may adversely affect the Corporation's business, results from operations, and financial condition.

With respect to the Aerospace and Aviation segment, its products that are to be installed in an aircraft, such as engines, engine parts, components and airframe and accessory parts and components, must meet certain standards of airworthiness established by Transport Canada, the FAA or other regulatory agencies. New and more stringent governmental regulations may be adopted in the future that, if enacted, could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Due to CTI having certain United States security clearances and the Corporation being organized in Canada, the Corporation maintains a Special Security Agreement (the "SSA") with the United States Department of Defense. The implementation and maintenance of the terms of the SSA are required for CTI to maintain its security clearances. In the event the Corporation fails to adequately implement and/or maintain the mitigation measures set forth in the SSA, this could have a material impact on CTI's ability to deliver on current or future contracts, including the potential termination of the SSA, having an adverse effect on the Corporation's business, results from operations, and financial condition.

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While management believes that affected Subsidiaries are currently in compliance with all applicable government standards and regulations, there can be no assurance that the Subsidiaries will be able to continue to comply with all applicable standards and regulations. A failure to comply with applicable standards and regulations could result in the revocation of the operating certificate of the applicable Subsidiary and a temporary or permanent cessation of flight operations, the inability to sell its products or services and carry on business, or the inability to continue manufacturing operations and the provision of related services in the case of the Corporation's Manufacturing segment.

Certain of the Subsidiaries process, transmit and store credit card data and are therefore subject to compliance with certain requirements established by credit card companies. Non-compliance with these requirements, whether through system breaches or limitations, may result in substantial fines and/or temporary or permanent exclusion from one or more credit card acceptance programs. The inability to process one or more credit card brands could have an adverse impact on the passenger bookings, revenue and profitability of certain of the Subsidiaries.

The Corporation's business practices must comply with Canada's Corruption of Foreign Public Officials Act, the U.S. Foreign Corrupt Practices Act, and any local anti-bribery or anti-corruption laws that may be applicable. These anti-bribery or anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. If violations of these laws were to occur, they could subject the Corporation and/or its Subsidiaries to fines and other penalties, reduced access to future government contracts as well as increased compliance costs and could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Certain of the Subsidiaries are parties to non-disclosure agreements relating to technical assistance agreements and manufacturing licensing agreements involving U.S. International Traffic in Arms Regulations ("ITAR") controlled defence articles and technical data, and therefore assume all rights, responsibilities, liabilities and obligations that may exist regarding the transfer of such information. In the event that these Subsidiaries are not compliant with such regulations, there is a risk of incurring fines and other penalties that could lead to increased compliance costs or restriction of information that could hinder the acquisition of future contracts. This could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Certain of the Subsidiaries regularly engage in business transactions with United States based suppliers and customers. The United States-Mexico-Canada Agreement (USMCA) enacted in 2020, replacing the previous North American Free Trade Agreement, could result in new tariffs, increased difficulty associated with the movement of goods and people across the border and changes to access to work permits by employees. More specifically, a significant review and potential renegotiation scheduled for mid-2026 may have a more pervasive impact on the Corporation's risk position by influencing variables within other key risks (e.g. select commodities, interest rates, etc.). This could continue to be further exacerbated by interim additional trade and tariff barriers. Any of such events could have an adverse effect on the Corporation's business, results from operations, and financial condition.

The legalization of recreational cannabis and related products has led to additional policies to ensure a safe workplace environment. While the rules and policies around this topic area continue to evolve, there is a risk that such rules may impact the Corporation's ability to fulfill its obligations without having to implement additional protocols, disclosure or training. Failure to maintain safety and compliance requirements may have an adverse effect on the Corporation's business, results from operations, and financial condition.

On May 3, 2023, the Canadian Parliament passed Bill S-211 or *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, to protect vulnerable populations from human rights abuses and exploitation that imposed strict annual reporting requirements on Canadian businesses. The Corporation released its first Modern Slavery Report on February 22, 2024, with future annual reports to be provided concurrently with its annual filings going forward. Bill S-211 may have an impact on the way the Corporation contracts within its supply chains and therefore may affect aspects of production, sales, or importing of goods produced outside of Canada into the country. If violations of this law were to occur, they could subject the Corporation and/or its Subsidiaries to fines, reduced access to future contracts, as well as increased compliance costs, any of which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

On June 20, 2024, the Canadian Parliament passed Bill C-59 introducing amendments to the Competition Act (Canada) that strengthen prohibitions on misleading advertising and marketing practices by explicitly targeting misleading environmental claims. The amendments require that environmental product claims be supported by adequate and proper testing, and that environmental claims regarding a business or business activity be supported by adequate and proper substantiation in accordance with internationally recognized methodology. As of June 20, 2025, private parties may apply directly to the Competition Tribunal to challenge misleading environmental representations. These provisions place the burden of proof on companies to demonstrate that their claims are appropriately tested or substantiated. Failure to do so may not only result in increased compliance costs, but could also have an adverse effect on the Corporation's business, results from operations, and financial condition.

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Acquisition Risk

Led by a formal corporate development department, the Corporation regularly reviews potential acquisition opportunities to support its strategic objective to expand and diversify the Corporation's investments. The Corporation's ability to successfully grow or diversify through additional acquisitions will be dependent on a number of factors, including the identification of suitable acquisition targets in both new and existing markets, the negotiation of purchase agreements on satisfactory terms and prices, securing attractive financing arrangements, and, where applicable, the integration of newly acquired operations into the existing business.

In pursuing a strategy of acquiring other businesses or interests, the Corporation will face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring higher capital expenditures and operating expenses than expected, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting ongoing business, diverting management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes of ownership, increasing expenses for accounting and information technology systems and incorrectly valuing acquired entities.

The Corporation may not adequately anticipate all the demands that its growth will impose on its personnel, procedures and structures, including its financial and reporting control systems, data processing systems and management structure. Moreover, the Corporation's failure to retain qualified management personnel at any acquired business may increase the risk associated with integrating such businesses. If the Corporation cannot adequately anticipate and respond to these demands, it may fail to realize the expected operating performance and its resources will be focused on incorporating new operations into its structure rather than on areas that may be more profitable.

The Corporation conducts business, legal and financial due diligence investigations in connection with its acquisitions and the purchase and sale agreements pursuant to which the Corporation directly or indirectly acquires a business or interest will generally contain customary representations and warranties with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, environmental, operations, employee matters and financial statements, among other things. However, there can be no assurance the Corporation will uncover all risks associated with the investment through its due diligence investigations, that the representations and warranties given by such vendors will adequately protect against such risks or that the Corporation will recover any losses incurred in the event of a breach of a representation or warranty. In light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses.

Concentration and Diversification Risk

The Corporation's performance is dependent on the results of its Subsidiaries which are concentrated in two segments: (i) Aerospace & Aviation; and (ii) Manufacturing. Although diversification exists, financial results are heavily tied to the North American economy. An economic decline, a major shift in consumer demands, or technology changes could result in both segments experiencing simultaneous negative results. In the event both segments experience a downturn leading to negative results, this could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Similarly, becoming economically dependent on one Subsidiary or customer could result in an imbalance in the diversification level of the Corporation. This could have an adverse effect on the Corporation's business, results from operations, and financial condition. Furthermore, considerable pressure may be placed on resources, processes, and systems to manage the imbalance.

Aircraft Sales & Leasing's portfolio of parts, engines and leased aircraft are concentrated in specific types of aircraft. The leasing and sales industry related to aircraft assets can experience periods of undersupply and oversupply. As a result, this business line's profitability is susceptible to economic conditions specific to the aircraft platforms that underly its business strategy.

Maintenance Costs

Essential Air Services and Aerospace business lines each rely on aircraft that are tailored to operate in extreme and remote environments. Many such aircraft types are no longer in production, so by nature, this business line is working with aging aircraft and have specific aging aircraft protocols to ensure the safety and longevity of the aircraft. Comprehensive, in-house maintenance teams continually assess the airframe, engines and components of each aircraft in the fleet. The ongoing maintenance costs, as well as the fleet renewal costs, may be significantly higher than anticipated, adversely impacting the Corporation's business, results from operations, and financial condition.

Access to Parts and Relationships with Key Suppliers

The Subsidiaries are at times dependent on the continued efficient supply of component parts, fuel and raw materials from various suppliers. Any shortage of supply, significant delays in delivery, or an inability to source such items on satisfactory terms, would jeopardize the ability of the Subsidiaries to provide their products or services, or within contractually agreed upon terms. Each, and any of these circumstances, could have an adverse effect on the Corporation's business, results from operations, and financial condition.

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Casualty Losses

The Corporation has operations and physical locations throughout the world and accordingly is exposed to loss from inclement weather or natural disasters, equipment defects, malfunctions and failures, vehicular or aviation accidents, loss of life, suspension of operations and business interruption. These Subsidiaries are also subject to the inherent business risk of liability claims and adverse publicity if any of their services is alleged to have resulted in adverse effects to a user, including an aircraft accident in the case of the Subsidiaries within the Aerospace & Aviation segment. There can be no assurance that the Corporation's insurance coverage will be sufficient or remain available at reasonable costs to cover one or more large claims. Additionally, any incident or disaster involving either the Aerospace & Aviation and/or Manufacturing segment could significantly harm the Corporation's reputation for safety. In either event, the Corporation's business, results from operations, and financial condition could be adversely affected.

Environmental Liability Risks

As owners of real property, and in particular fuel farms, fuel storage containers and other fuel transportation equipment, the Subsidiaries are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that the Subsidiaries could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remedy such substances or locations, if any, could potentially result in actions, penalties and/or claims against the Subsidiaries.

Future environmental regulatory developments in North America and abroad concerning environmental issues, such as climate change, could adversely affect the operations of the Subsidiaries, increase operating costs and, through their impact on customers, reduce demand for the products and services of the Subsidiaries. Actions may be taken in the future by federal, provincial, state or local governments, the International Civil Aviation Organization, or by signatory countries through a new global climate change treaty to regulate the emission of greenhouse gases by the aviation industry. The precise nature of any such requirements and their applicability to the Subsidiaries within the Essential Air Services business line and their customers are difficult to predict, but the impact to the aviation industry would likely be adverse and could be significant, including the potential for increased fuel costs, carbon taxes or fees, or a requirement to purchase carbon credits.

Dependence on Information Systems and Technology

Information systems are an important part of the business process of the Corporation and its Subsidiaries, including marketing their products and services, managing inventory, coordinating logistical support and/or managing finance functions. In addition, management of the Corporation and its Subsidiaries will continue to rely on information systems to analyze operating performance on an ongoing basis and to aid in the preparation of budgets and forecasts. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Corporation's business, results from operations, and financial condition.

The integration of complex systems and technology presents significant challenges in terms of costs, human resources and development of effective internal controls. In the ordinary course of business, systems will require modifications and refinements to address the Corporation's growth and business requirements. The Subsidiaries could be adversely affected if they are unable to modify their systems as necessary.

The rapid pace of AI development and use necessitates a dynamic approach to risk management as new and unforeseen challenges are constantly emerging alongside the innovative possibilities. As the Corporation continues to investigate opportunities for using this technology, it continues to monitor the risks arising from its development. The use of this technology can further magnify potential exposure to other risk factors including, but not limited to, competition, market trends and innovation, laws and regulations, cybersecurity, intellectual property, and/or conflicts of interest. Each, and any of these circumstances, could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Cybersecurity

The Corporation's reliance on information technology to manage its business exposes the Corporation to potential risks related to cybersecurity attacks and unauthorized access to the Corporation's customers', suppliers', counterparties' and employees' sensitive or confidential information (which may include personally identifiable information and credit information) through hacking, viruses or otherwise (for the purposes of this section, collectively "cybersecurity threats"). The Corporation uses information technology systems and network infrastructure, which include controls for interconnected systems of generation, distribution, and transmission, some of which are shared with third parties for operating purposes. Through the normal course of business, the Corporation also collects, processes, and retains sensitive and confidential customer, supplier, counterparty and employee information.

Cybersecurity threats are continually growing and changing and require continuous monitoring and detection efforts to address. While the Corporation has security measures in place, its systems, assets and information could be vulnerable to cybersecurity attacks and other data security breaches that could cause system failures, disrupt operations, adversely affect safety, result in loss of service to customers and result in the release of sensitive or confidential information. Despite such security measures, there is no assurance that cybersecurity threats can be fully detected, prevented or mitigated. Should such threats materialize, the Corporation could suffer costs, losses and damages such

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as property damage, corruption of data, lower earnings, reduced cash flow, third party claims, fines and penalties; all or some of which may not be recoverable.

Furthermore, certain of these information technology solutions are maintained by third-party vendors upon which the Corporation is dependent for maintaining their own security and control measures. If these third parties were to become incapable of maintaining efficient and/or secured technological solutions in line with the Corporation's expectations, this could increase the Corporation's exposure to additional cybersecurity threats, business disruptions or costs, adversely affecting the Corporation's business, results from operations, and financial condition.

International Operations Risks

Certain of the Subsidiaries conduct business with certain countries other than Canada and the United States, some of which are politically unstable or subject to military or civil conflicts. Consequently, these Subsidiaries are subject to a variety of risks that are specific to international operations, including the following:

- military conflicts, civil strife, and political risks;
- export regulations that could erode profit margins or restrict exports;
- compliance with applicable anti-bribery laws;
- the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- import and export duties and value-added taxes;
- foreign exchange risk;
- transportation delays and interruptions;
- uncertainties arising from foreign local business practices and cultural considerations;
- travel restrictions; and
- payment risk.

While these Subsidiaries have and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of doing business internationally, the Corporation cannot ensure such measures will be adequate or the regions in which they operate will continue to be stable enough to allow these Subsidiaries to operate profitably or at all.

Fluctuations in Sales Prices of Aviation Related Assets

Aircraft Sales & Leasing uses a number of assumptions when determining the recoverability of inventories, aircraft, and engines, which are on lease, available for lease or for sale. These assumptions include historical sales trends, current and expected usage trends, replacement values, current and expected lease rates, residual values, future demand and future cash flows. Reductions in demand for inventories or declining market values, as well as differences between actual results and the assumptions utilized by this business line when determining the recoverability of inventories, aircraft, and engines, could result in impairment charges in future periods.

Aircraft Sales & Leasing's operations include leasing and selling of aircraft and engines to its customers. Its ability to re-lease or sell these assets on acceptable terms when the operating lease expires is subject to a number of factors that drive industry capacity, including new aircraft deliveries, availability of used aircraft and engines in the marketplace, overhaul capacity, component parts availability, competition, financial condition of customers, overall health of the airline industry and general economic conditions. The inability to re-lease or sell aircraft and engines could adversely affect Aircraft Sales & Leasing's results of operations and financial condition.

Fluctuations in Purchase Prices of Aviation Related Assets

The success of Aircraft Sales & Leasing depends, in part, on its ability to acquire strategically attractive aircraft and aviation related assets and enter into profitable leases or sale transactions following their acquisition. The leasing and sales industry for aircraft related assets can experience periods of undersupply and oversupply. The Subsidiaries within the Aircraft Sales & Leasing business line may not be able to enter into profitable leases or sales transactions following the acquisition of aircraft. An acquisition of one or more aircraft may not be profitable and may not generate sufficient cash flow to justify those acquisitions. If the Aircraft Sales & Leasing business line experiences significant delays in the implementation of its business strategies, including delays in the acquisition, required maintenance or repairs, and leasing or sale of the aviation related assets, its fleet management strategy and long-term results of operations could be adversely affected.

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The other Subsidiaries within the Aerospace & Aviation segment are also exposed to changes in demand and availability of aviation related assets mainly when these Subsidiaries are looking to replace or grow their aircraft fleets and to a lesser degree when disposing of aircraft from their fleets.

Warranty Risk

Certain Subsidiaries are exposed to warranty risk. Defects may be found in products before and/or after they are delivered to the customer. Additionally, contractual service levels may not be achieved. This could result in significant additional costs to modify and/or retrofit to correct defects or remediate service levels. The occurrence of defects and failures could give rise to non-conformity costs, including warranty and damage claims, negatively affecting reputation and profitability and could result in the loss of customers. Correcting such defects could require significant capital investment where such claims cannot be passed on to component suppliers. In particular, Aerospace manufactures highly complex and sophisticated surveillance aircraft and software solutions, incorporating various technologies and components. These aircraft are subject to detailed specifications, which are listed in contracts with customers, as well as stringent certification or approval requirements. Multi-Storey Window Solutions manufactures and installs windows for high rise apartment and condominium projects and provides a multi-year warranty on the integrity of the windows. Failure of the windows due to a fault in the manufacturing or installation processes could negatively impact reputation and could result in significant additional cost to remedy the issue identified under a valid warranty claim. Warranty claims and the related implications could adversely affect the Corporation's business, results from operations, and financial condition.

Performance Guarantees

Certain Subsidiaries within the Essential Air Services and Aerospace business lines operate under contractual arrangements that require performance guarantees through maintaining an agreed upon level of service. Failure to achieve the specified levels of service could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Global Offset Risk

Offset obligations are common in numerous countries in the global aerospace market. Aerospace has significant business operations in the UAE. All government and aerospace supply contracts in the UAE are subject to offset obligations, calculated as a percentage of the value of the supply contract. Offset credits are generated in a number of ways including, employment of local citizens, maintaining a profitable business within the jurisdiction, development of intellectual property within the jurisdiction, investment within the jurisdiction, and exports from the jurisdiction. In the event sufficient offset credits are not generated, Aerospace may be subject to financial penalties which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Intellectual Property Risk

Certain proprietary intellectual property is not protected by any patent or patent application, and, despite precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. The Corporation and its Subsidiaries have generally sought to protect such intellectual property in part by maintaining confidentiality agreements with strategic partners and employees. There is no guarantee these agreements adequately protect the trade secrets and other intellectual property or proprietary rights of the Corporation or its Subsidiaries. In addition, there can be no assurance these agreements will not be breached, that adequate remedies for any breach will be in place, or that such persons or institutions will not assert rights to intellectual property arising out of these relationships. Furthermore, the steps taken or that may be taken in the future, may not prevent misappropriation of such solutions or technologies, particularly in respect of officers and employees who are no longer employed by the Corporation or its Subsidiaries or in foreign countries where laws or law enforcement practices may not protect the Corporation's proprietary rights as fully as in Canada.

Where applicable, the Corporation takes reasonable steps (e.g. available copyright protection and, as applicable, patent protection) to protect and enforce its intellectual property rights. There is no assurance that such measures will be enforceable or adequate. The cost of enforcing rights, or the inability to protect against infringement or unauthorized copying or use, can be substantial and, in certain cases, may prove to be uneconomic. Despite the Corporation's efforts, the steps taken to protect intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property. The Corporation may not be able to detect unauthorized use of its intellectual property, or take appropriate steps to enforce its intellectual property rights which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

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FINANCIAL RISKS:

Availability of Future Financing

The Corporation's ability to sustain continued growth depends on its ability to generate sufficient cashflows and/or identify, evaluate and contribute financing to its Subsidiaries. The Corporation may require additional equity or debt financing to meet its capital and operating expenditure requirements. There can be no assurance this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Corporation, in which event the financial condition of the Corporation may be adversely affected. Lack of those funds could limit or delay future growth of the Subsidiaries and the amount of cash available for dividends to Shareholders may be reduced.

Income Tax Matters

The business and operations of the Corporation and its Subsidiaries are complex and the Corporation has, over the course of its history, undertaken a number of significant financings, reorganizations, acquisitions, divestitures and other material transactions. The computation of income taxes payable as a result of these transactions involves many complex factors including the Corporation's interpretation of relevant tax legislation and regulations. Tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Corporation's interpretation of the applicable tax legislation and regulations. If any challenge to the Corporation's tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Corporation's tax obligations.

Furthermore, federal, provincial, state or foreign tax legislation may be amended, or its interpretation changed (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Corporation's tax positions.

Commodity Risk

Certain Subsidiaries are vulnerable to price fluctuations in select commodities required to conduct business. Some of the products manufactured by the Subsidiaries require specialized raw materials such as lumber, aluminum, resin, glass and steel. The market prices and availability of such commodities have and may continue to fluctuate widely depending on many factors including general economic and market conditions, geopolitical events, competition, freight and transportation costs and prevailing exchange rates. If such raw materials are not available or not available under satisfactory terms, the applicable Subsidiary may not be able to manufacture and fulfill customer orders with the contractual terms or timelines. Revenue and relationships with customers could be negatively affected as a result.

Fuel costs are a significant component of the total operating costs of the Aerospace & Aviation segment. Fuel prices have and may continue to fluctuate widely depending on many factors including international market conditions, geopolitical events, jet fuel refining costs and the Canada/United States dollar exchange rate. The Corporation cannot predict future fuel prices. While most of the travel by the Aerospace & Aviation segment's customers is not discretionary (i.e. for medical or other necessary reasons) and overland travel from and to many of the communities serviced is only possible for brief periods of the year over winter roads, if prices were to escalate significantly it may impact demand for services.

The operations of certain Subsidiaries within the Manufacturing segment in Alberta have historically been impacted by prevailing oil prices. As oil prices fluctuate, demand for certain manufactured products may increase and decrease accordingly.

Essential Air Services is further impacted by precious metal and mineral commodity pricing as the service requirements of several major customers are impacted by mineral commodity pricing levels.

Foreign Exchange

The Corporation's financial results are sensitive to the fluctuating value of the Canadian dollar, particularly in relation to the United States dollar. The Corporation's Canadian and United States Subsidiaries are impacted differently from fluctuations in the Canada/United States dollar exchange rate.

The Corporation's Canadian operations have significant United States dollar inflows and outflows and it varies greatly by entity. For instance, many Subsidiaries in Essential Air Services have net annual outflows of United States dollars as parts cost, engines, and aircraft purchases are often purchased in United States dollars. As well, the price of fuel, while purchased in Canadian dollars, is impacted by fluctuations in the Canada/United States dollar exchange rate. However, certain other entities have significant contracts under which the customer pays in United States dollars. When viewed in the aggregate, the Corporation's Canadian operations do not have a large exposure to fluctuations in the Canada/United States dollar exchange rate. It is important to note that while exchange rate fluctuations may have a short-term impact on the results from any one of the Subsidiaries in Canada, none of their business models are based on arbitraging between the two currencies and ultimately exchange rate changes will be reflected in their pricing charged to customers.

The Corporation's United States Subsidiaries' operations are not impacted by fluctuations in the exchange rate as the vast majority of their revenues and expenditures are in United States dollars. However, when their results are included in the Corporation's consolidated results for financial reporting purposes, the Corporation's consolidated results will be impacted by the translation of the Corporation's United States Subsidiaries results from their functional currency into the Corporation's reporting currency, which is Canadian dollars.

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The Corporation is further nominally exposed to other foreign currencies, such as Euros, under certain contracts maintained within Aerospace, which must be converted to Canadian dollars for reporting purposes. Fluctuations in foreign exchange rates related to denominations beyond the United States dollar for which the Corporation's Subsidiaries operate in, could have an impact on financial results and cash flows.

Interest Rates

As at December 31, 2025, the Credit Facility has a variable interest rate on the Canadian and United States portions of the amount outstanding under the facility. 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 Secured Overnight Financing Rate (SOFR). The Corporation manages the base rate used on the outstanding facility and seeks financing terms in individual arrangements that are most advantageous. The Corporation considers derivative instruments to manage the variable interest rate risk and has entered into interest rate swaps on a portion of its debt to manage this risk.

Credit Facility

The Corporation has significant debt service obligations pursuant to the financing agreements relating to the Credit Facility. The degree to which the Corporation and its Subsidiaries are leveraged could have important consequences to Shareholders, including:

- the ability of the Corporation and/or its Subsidiaries to obtain additional financing for working capital, capital expenditures, or acquisitions in the future may be limited;
- a substantial portion of cash flow from operations of the Subsidiaries of the Corporation will be dedicated to servicing its indebtedness, thereby reducing funds available for future operations or dividend payments;
- certain borrowings of the Corporation and/or its Subsidiaries will be at variable rates of interest, which will expose the Corporation and its Subsidiaries to future fluctuations of interest rates; and
- the Corporation and/or its Subsidiaries may be more vulnerable to economic downturns and may be limited in their ability to withstand competitive pressure.

The ability of the Corporation and/or its Subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their respective indebtedness will depend on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. This is also influenced by existing lenders' willingness to continue to lend at their current commitment level or increase their commitments in the future should the Corporation seek to increase the size of the Credit Facility.

The Credit Facility contains restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place significant restrictions on, among other things, the ability of the Subsidiaries and other restricted parties to incur additional indebtedness, to create liens or other encumbrances, to pay dividends, to redeem equity or debt, or make certain other payments, investments, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require the Corporation to meet certain financial ratios and financial condition tests. A failure to comply with the obligations and covenants under the financing agreements relating to the Credit Facility could result in an event of default under such agreements, as the case may be, which, if not cured or waived, could permit acceleration of indebtedness. If the indebtedness under such agreements were to be accelerated, there can be no assurance the assets of the Corporation and its Subsidiaries under such agreements would be sufficient to repay that indebtedness in full.

Dividends

Although the Corporation intends to continue to declare and pay monthly dividends on Common Shares, there can be no assurance dividends will continue in the future at the same frequency and in the same amounts, or at all. The dividends declared and amount paid by the Corporation in respect of the Common Shares will depend upon numerous factors, including profitability, fluctuations in working capital, capital expenditures and the sustainability of margins of its Subsidiaries.

Unpredictability and Volatility of Securities Pricing

The market price of the Common Shares could be subject to significant fluctuations in response to variations in operating results, monthly dividends, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of Common Shares regardless of the operating performance of the Corporation. There can be no assurance of the price at which the Common Shares will trade. The annual dividend yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

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Dilution Risk

The authorized share capital of the Corporation is comprised of an unlimited number of Common Shares. The Corporation may issue additional Common Shares, or securities which are convertible, exchangeable or exercisable into Common Shares for consideration and on those terms and conditions as are established by the Corporation without the approval of Shareholders. The Corporation intends to pursue further acquisitions which will likely require the issuance of additional Common Shares.

Credit Risk

Credit risk arises from the potential a counterparty will fail to fulfill its obligations and the Corporation is exposed to credit risk from its customers or parties where the Corporation has advanced funds under a promissory note or loan arrangement. This includes lease arrangements within Aircraft Sales & Leasing where long-term receivables are recognized with aviation companies in finance lease arrangements.

Credit Rating

The Corporation's ability to access bond capital markets on favourable terms is influenced by the ratings assigned by independent rating agencies of these bonds along with demand for debt securities. A negative rating action or downgrade could adversely impact the Corporation's financial flexibility. Specifically, a lowered bond rating could increase the Corporation's cost of borrowing through widened credit spreads and higher yields demanded by lenders and institutional investors. Further, a downgrade may limit or delay the Corporation's ability to access the public or private debt markets, including refinancing of existing facilities, extensions of credit capacity, or issuance of new long-term instruments.

HUMAN CAPITAL RISKS:

Reliance on Key Personnel

The success and culture of the Corporation is dependent on a number of key senior employees both at the Corporation's head office level and at the Subsidiary level. The loss of any one of these key employees would impair the Corporation's ability to operate at its optimum level of performance and could have an adverse effect on the Corporation's business, results from operations, and financial condition. There can be no assurance the Corporation will be able to retain its existing senior management, attract additional qualified executives, or adequately fill new senior management positions or vacancies created by expansion, turnover or illness related impacts at either its head office or Subsidiaries.

Employees and Labour Relations

The success of the Subsidiaries is dependent in large part upon their ability to attract and retain skilled management and employees. Recruiting and maintaining personnel in the industries in which the Subsidiaries are involved is highly competitive and it cannot be guaranteed these Subsidiaries will be able to attract and retain the qualified personnel needed for their businesses. In particular, skilled labour within Precision Manufacturing & Engineering such as for tower maintenance and erection or window manufacturing and installation, and for certain metal fabricators, or the engineers, and software developers in Aerospace's operations, are all specialized such that it can be difficult to find qualified personnel and retain them given the competitive environments in which these businesses operate. The previously enacted Transport Canada regulations concerning pilot fatigue and flight duty times will have a continued impact on the number of pilots, nurses and maintenance personnel required for Essential Air Services. The airline industry continues to experience a material shortage of experienced pilots and aircraft maintenance engineers. If this shortage continues to extend, it could impact the ability of Essential Air Services to attract and retain these employees, who are key to the Subsidiaries within the Essential Air Services business line's ability to operate. A failure to attract or retain qualified personnel could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Certain employees have labour-related agreements but there can be no assurance future agreements with employee unions or the outcome of arbitrations will be on terms consistent with the Corporation's expectations or comparable to agreements entered into by the Corporation's competitors. Any future agreements or outcomes of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

There can be no assurance there will not be a labour conflict that could lead to an interruption or stoppage in the Corporation's service or otherwise adversely affect the ability of the Corporation to conduct its operations, all of which could have an adverse effect on the Corporation's business, results from operations, and financial condition.

Conflicts of Interest

The Corporation may be subject to various conflicts of interest due to the fact that its Directors and management are or may be engaged in a wide range of other business activities. The Corporation may become involved in transactions that conflict with the interests of these other business activities. The Directors and management of the Corporation and associates or affiliates may from time to time deal with persons,

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firms, institutions or organizations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may compete with the Corporation for available investment opportunities. Any such conflicts will be resolved in accordance with the provisions of the Canada Business Corporations Act ("CBCA") relating to conflicts of interest.

13. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

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

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

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

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

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

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

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

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

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

Maintenance and Growth Capital Expenditures: Maintenance Capital Expenditures is defined as the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level. 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

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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.

Aircraft Parts & Leasing purchases of operating aircraft and engines within its lease portfolio are capital expenditures and, the process used to categorize expenditures as either growth or maintenance was based on the utilization of that portfolio. Since aircraft that are leased to third parties are being consumed over time, 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, and therefore Maintenance Capital Expenditures, is represented through a charge based on utilization of the underlying assets. Only net capital expenditures more than this charge are classified as Growth Capital Expenditures. If there were no purchases of capital assets during the period by Aircraft Parts & Leasing, Maintenance Capital Expenditures would still be equal to utilization charge 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 Aircraft Parts & Leasing's leased assets.

Prior to 2025, the fleet of aircraft and engines to be leased was underutilized since the onset of the pandemic and as a result, the available green time on those aircraft was not being consumed at the same rate as in prior periods. As the impacts of the pandemic lessened, the lease fleet still remained underutilized due to the onset of a worldwide flight crew shortage, most notably in experienced pilots. During these periods of underutilization, the actual expenditures on assets already owned were used as the costs of maintaining the fleet and represented Maintenance Capital Expenditures.

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, which represents Maintenance Capital Expenditures, 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.

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14. SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table provides selected annual information for the Corporation for the years ended 2023 through to 2025.

	2025	2024	2023
Revenues	\$ 3,277,495	\$ 2,659,895	\$ 2,498,415
Expenses ⁽¹⁾	2,523,123	2,031,831	1,942,890
Adjusted EBITDA	\$ 754,372	\$ 628,064	\$ 555,525
Total non-operating expense	586,852	506,829	433,218
Net Earnings	\$ 167,520	\$ 121,235	\$ 122,307
Net Earnings per share			
Basic	\$ 3.20	\$ 2.55	\$ 2.72
Diluted	3.12	2.49	2.65
Adjusted Net Earnings	\$ 195,549	\$ 147,348	\$ 144,051
Basic	3.74	3.10	3.20
Diluted	3.61	2.99	3.07
Dividends declared	\$ 139,868	\$ 125,888	\$ 114,588
Per share	2.66	2.64	2.54
Free Cash Flow	\$ 541,280	\$ 409,155	\$ 377,118
Per share basic	10.36	8.60	8.39
Per share fully diluted	9.68	7.60	7.38
Free Cash Flow less Maintenance Capital Expenditures	\$ 239,146	\$ 199,266	\$ 201,827
Per share basic	4.58	4.19	4.49
Per share fully diluted	4.38	3.89	4.13
Financial Position			
Working capital	\$ 568,091	\$ 628,431	\$ 540,720
Total assets	5,261,677	4,598,988	4,079,807
Total long-term liabilities ⁽²⁾	2,421,859	2,310,054	2,003,312
Total liabilities	3,499,285	3,189,319	2,834,334
Share Information			
Common shares outstanding as at December 31,	56,129,898	49,602,431	47,136,625
Weighted average common shares outstanding during the year - basic	52,270,015	47,582,612	44,970,513

Note 1) Expenses include direct operating expenses (excluding depreciation and amortization), cost of goods sold (excluding depreciation and amortization) and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2) Long-term liabilities include the non-current portions of long-term debt, convertible debentures, long-term deferred revenue, long-term right of use lease liabilities, and other long-term liabilities.

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The following summary reflects quarterly results of the Corporation:

	2025				2024				2023
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 929,547	\$ 959,744	\$ 719,928	\$ 668,276	\$ 687,695	\$ 709,856	\$ 660,575	\$ 601,769	\$ 656,676
Adjusted EBITDA	216,431	230,569	177,236	130,136	167,054	192,914	157,045	111,051	143,621
Net Earnings	51,566	68,737	40,010	7,207	28,174	55,885	32,648	4,528	29,027
Basic	0.94	1.32	0.78	0.14	0.58	1.18	0.69	0.10	0.62
Diluted	0.92	1.24	0.75	0.14	0.57	1.08	0.67	0.09	0.61
Adjusted Net Earnings	58,424	75,674	47,156	14,295	38,740	61,372	37,662	9,574	33,768
Basic	1.06	1.46	0.92	0.28	0.80	1.29	0.80	0.20	0.72
Diluted	1.04	1.36	0.88	0.28	0.78	1.18	0.77	0.20	0.70
Free Cash Flow ("FCF")	164,931	171,441	123,424	81,484	110,606	136,116	100,502	61,931	102,265
Basic	3.00	3.30	2.40	1.61	2.30	2.86	2.13	1.31	2.17
Diluted	2.90	3.04	2.22	1.47	2.03	2.50	1.88	1.19	1.92
FCF less Maintenance Capital Expenditures	67,996	88,163	57,487	25,500	43,150	81,201	52,322	22,593	49,971
Basic	1.24	1.70	1.12	0.50	0.90	1.71	1.11	0.48	1.06
Diluted	1.20	1.58	1.06	0.50	0.84	1.53	1.02	0.47	0.99
Maintenance Capital Expenditures	96,935	83,278	65,937	55,984	67,456	54,915	48,180	39,338	52,294
Growth Capital Expenditures	134,017	127,752	4,543	56,118	42,995	93,180	44,800	39,326	101,566

ADDITIONAL INFORMATION

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



Independent auditor's report

To the Shareholders of Exchange Income Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Exchange Income Corporation and its subsidiaries (together, the Corporation) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Cost of sales recognition – Aviation parts for resale inventories</p> <p>Refer to note 3 – Material accounting policies, note 5 – Critical accounting estimates and judgments and note 7 – Inventories to the consolidated financial statements.</p> <p>The Corporation's aviation parts for resale inventories carrying value was \$281.3 million as at December 31, 2025. A portion of the \$228.6 million of inventories expensed and recorded within aerospace and aviation expenses, excluding depreciation and amortization, related to the Corporation's aviation parts for resale cost of sales for the year ended December 31, 2025.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management estimated the average cost to sales percentage based on expected selling prices for aviation parts for resale inventories, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the average cost to sales percentage method at expected selling prices.– Tested the completeness and accuracy of the data used in the average cost to sales percentage method at expected selling prices.

Key audit matter

In the normal course of the Corporation's business, it may acquire entire aircraft or components of an aircraft for breakdown into saleable parts. The cost of sales recognized is determined using the average cost to sales percentage method at expected selling prices. Management applied significant judgment in estimating the average cost to sales percentage, which included the determination of the expected selling price.

We considered this a key audit matter due to the significant judgment applied by management when developing the average cost to sales percentage estimate. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating evidence relating to the determination of the expected selling price. The audit effort involved the use of professionals with specialized skill and knowledge.

Revenue recognition – estimated costs to complete on long-term construction contracts using the input-based measure for uncompleted contracts as at year-end.

Refer to note 3 – Material accounting policies, note 5 – Critical accounting estimates and judgments and note 17 – Construction contracts to the consolidated financial statements.

The Corporation recognized revenue of \$629.5 million from long-term construction contracts for the year ended December 31, 2025 related to revenue recognized over time. A significant portion of revenue from long-term contracts is recognized over time using an input-based measure, such as the ratio of actual costs incurred to date over estimated costs. Management applies significant judgment to estimate the costs to complete these long-term construction contracts, including the use of significant assumptions with respect to estimated labour costs, material costs and subcontracting costs, as applicable.

How our audit addressed the key audit matter

- Evaluated the reasonableness of the significant assumption made by management related to expected selling price for aviation parts for resale inventories on a sample basis by considering the historical profit margin recognized on the parts sales.
- Developed an independent expectation for the expected selling price of the aviation parts for resale inventories on a sample basis with the assistance of professionals with specialized skill and knowledge in the field of valuation and compared the independent expectation to management's assumption to evaluate the reasonableness of management's assumption.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the estimated costs to complete on long-term construction contracts using the input-based measure for a sample of uncompleted contracts as at year-end, which included the following:
 - Evaluated the appropriateness of management's input-based method and tested the mathematical accuracy of the ratio of actual costs incurred to date over estimated costs at completion.
 - Tested the underlying data used by management in the input-based method.
 - Evaluated the reasonableness of significant assumptions used by management with respect to estimated labour costs, material costs and subcontracting costs by:

Key audit matter

We considered this a key audit matter due to the significant judgment applied by management in determining the estimated costs to complete long-term construction contracts. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management.

How our audit addressed the key audit matter

- Testing the estimated costs to complete by comparing the costs initially budgeted for the completed phases of the contracts to the actual costs incurred for those phases;
 - Inquiring with management, including project managers, regarding the status of contracts and the estimates of costs to complete; and
 - Comparing information obtained from interviewing management to supporting documents, where applicable.
- For a sample of uncompleted long-term construction contracts at the beginning of the year, performed look-back procedures and compared the originally estimated costs to actual costs incurred on similar completed contracts.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nicole Murray.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba

February 24, 2026

Exchange Income Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

As at	December 31 2025	December 31 2024
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 145,773	\$ 71,797
Accounts receivable	601,739	614,250
Amounts due from customers on construction contracts (Note 17)	53,165	59,610
Inventories (Note 7)	511,161	496,543
Prepaid expenses and deposits	60,636	37,031
Income taxes receivable	586	-
	1,373,060	1,279,231
OTHER ASSETS (Note 8)	110,591	134,685
CAPITAL ASSETS (Note 9)	2,356,976	1,824,607
RIGHT OF USE ASSETS (Note 10)	247,400	168,611
INTANGIBLE ASSETS (Note 11)	348,206	364,625
GOODWILL (Note 11)	825,444	827,229
	\$ 5,261,677	\$ 4,598,988
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	\$ 577,091	\$ 473,962
Income taxes payable	-	8,764
Deferred revenue	123,074	81,610
Amounts due to customers on construction contracts (Note 17)	48,217	46,632
Current portion of right of use lease liability (Note 10)	56,587	39,832
	804,969	650,800
OTHER LONG-TERM LIABILITIES	45,595	17,477
LONG-TERM DEBT (Note 12)	2,174,685	1,821,866
CONVERTIBLE DEBENTURES (Note 13)	-	330,390
LONG-TERM RIGHT OF USE LEASE LIABILITY (Note 10)	201,579	140,321
DEFERRED INCOME TAX LIABILITY (Note 26)	272,457	228,465
	3,499,285	3,189,319
EQUITY		
SHARE CAPITAL (Note 14)	1,733,521	1,377,171
CONVERTIBLE DEBENTURES - Equity Component (Note 13)	-	10,140
CONTRIBUTED SURPLUS	17,871	17,150
DEFERRED SHARE PLAN	20,286	18,215
NON-CONTROLLING INTERESTS	5,000	-
RETAINED EARNINGS		
Cumulative Earnings	1,088,943	921,423
Cumulative Dividends (Note 15)	(1,140,136)	(1,000,268)
Cumulative impact of share cancellation under the NCIB	(26,122)	(26,122)
	1,699,363	1,317,709
ACCUMULATED OTHER COMPREHENSIVE INCOME	63,029	91,960
	1,762,392	1,409,669
	\$ 5,261,677	\$ 4,598,988

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

Approved on behalf of the directors by:

Duncan Jessiman, Director

Signed

Donald Streuber, Director

Signed

Exchange Income Corporation

CONSOLIDATED STATEMENTS OF INCOME

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

For the years ended December 31	2025	2024
REVENUE		
Aerospace & Aviation	\$ 2,142,202	\$ 1,644,277
Manufacturing	1,135,293	1,015,618
	3,277,495	2,659,895
EXPENSES		
Aerospace & Aviation expenses - excluding depreciation and amortization	1,284,338	941,229
Manufacturing expenses - excluding depreciation and amortization	796,090	750,511
General and administrative	442,695	340,091
	2,523,123	2,031,831
EARNINGS BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS, TAXES, AND OTHER (Note 4)	754,372	628,064
Depreciation of capital assets (Note 9)	310,899	247,846
Amortization of intangible assets (Note 11)	24,739	22,510
Finance costs - interest	121,677	129,748
Depreciation of right of use assets (Note 10)	49,279	40,059
Interest expense on right of use lease liabilities	9,905	8,113
Acquisition costs	9,703	6,860
Restructuring costs	-	4,944
EARNINGS BEFORE INCOME TAXES	228,170	167,984
INCOME TAX EXPENSE		
Current	34,065	40,318
Deferred	26,585	6,431
	60,650	46,749
NET EARNINGS	\$ 167,520	\$ 121,235
NET EARNINGS PER SHARE (Note 18)		
Basic	\$ 3.20	\$ 2.55
Diluted	\$ 3.12	\$ 2.49

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

Exchange Income Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

Attributable to common shareholders For the years ended December 31	2025	2024
NET EARNINGS	\$ 167,520	\$ 121,235
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that are or may be reclassified to the Statement of Income		
Cumulative translation adjustment, net of tax expense of nil and nil, respectively.	(42,112)	69,153
Net gain (loss) on hedge of net investment in foreign operations, net of tax recovery of nil and (\$117), respectively.	11,202	(16,887)
Net gain on hedge of restricted share plan, net of tax expense of \$760 and \$1,014, respectively.	2,108	2,452
Net loss on interest rate swap, net of tax recovery of (\$47) and (\$2,219), respectively.	(129)	(8,285)
	(28,931)	46,433
COMPREHENSIVE INCOME	\$ 138,589	\$ 167,668

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

Exchange Income Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Retained Earnings										
	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Non- Controlling Interests	Cumulative Earnings	Cumulative Dividends	Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)		Total
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	28,181	-	-	-	-	-	-	-	-		28,181
Convertible debentures											
Converted into shares	71,564	(3,324)	-	-	-	-	-	-	-		68,240
Matured/Redeemed	-	(515)	515	-	-	-	-	-	-		-
Shares issued under dividend reinvestment plan (Note 14)	20,731	-	-	-	-	-	-	-	-		20,731
Shares issued under Indigenous community partnership agreements (Note 14)	400	-	-	-	-	-	-	-	-		400
Deferred share plan vesting (Note 20)	-	-	-	1,747	-	-	-	-	-		1,747
Deferred share plan issuance (Note 20)	288	-	-	(288)	-	-	-	-	-		-
Shares issued under ESPP (Note 14)	3,117	-	-	-	-	-	-	-	-		3,117
Comprehensive income (loss)	-	-	-	-	-	121,235	-	-	46,433		167,668
Dividends declared (Note 15)	-	-	-	-	-	-	(125,888)	-	-		(125,888)
Balance, December 31, 2024	\$ 1,377,171	\$ 10,140	\$ 17,150	\$ 18,215	\$ -	\$ 921,423	\$ (1,000,268)	\$ (26,122)	\$ 91,960		\$ 1,409,669
Balance, January 1, 2025	\$ 1,377,171	\$ 10,140	\$ 17,150	\$ 18,215	\$ -	\$ 921,423	\$ (1,000,268)	\$ (26,122)	\$ 91,960		\$ 1,409,669
Shares issued to acquisition vendors (Note 6)	10,839	-	-	-	-	-	-	-	-		10,839
Convertible debentures											
Converted into shares	321,849	(9,419)	-	-	-	-	-	-	-		312,430
Matured/Redeemed	-	(721)	721	-	-	-	-	-	-		-
Shares issued under dividend reinvestment plan (Note 14)	19,424	-	-	-	-	-	-	-	-		19,424
Shares issued under Indigenous community partnership agreements (Note 14)	176	-	-	-	-	-	-	-	-		176
Deferred share plan vesting (Note 20)	-	-	-	2,071	-	-	-	-	-		2,071
Shares issued under ESPP (Note 14)	4,062	-	-	-	-	-	-	-	-		4,062
Option issued for minority interest in subsidiary (Note 6)	-	-	-	-	5,000	-	-	-	-		5,000
Comprehensive income (loss)	-	-	-	-	-	167,520	-	-	(28,931)		138,589
Dividends declared (Note 15)	-	-	-	-	-	-	(139,868)	-	-		(139,868)
Balance, December 31, 2025	\$ 1,733,521	\$ -	\$ 17,871	\$ 20,286	\$ 5,000	\$ 1,088,943	\$ (1,140,136)	\$ (26,122)	\$ 63,029		\$ 1,762,392

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

Exchange Income Corporation

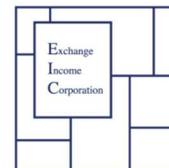
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

For the years ended December 31	2025	2024
OPERATING ACTIVITIES		
Net earnings for the year	\$ 167,520	\$ 121,235
Items not affecting cash:		
Depreciation of capital assets (Note 9)	310,899	247,846
Amortization of intangible assets (Note 11)	24,739	22,510
Depreciation of right of use assets (Note 10)	49,279	40,059
Accretion of interest	5,180	6,734
Gain on disposal of capital assets	(3,888)	(7,767)
Deferred income tax expense	26,585	6,431
Deferred share program share-based vesting (Note 20)	2,071	1,747
	582,385	438,795
Changes in non-cash current and long-term working capital (Note 24)	65,559	(81,787)
	647,944	357,008
FINANCING ACTIVITIES		
Proceeds from long-term debt, net of issuance costs (Note 12)	535,683	374,212
Repayment of long-term debt (Note 12)	(135,926)	(48,114)
Long-term debt discount	-	1,599
Redemption of convertible debentures (Note 13)	(24,164)	(10,711)
Principal payments on right of use lease liabilities (Note 10)	(50,133)	(39,017)
Issuance of shares, net of issuance costs	23,486	24,245
Cash dividends (Note 15)	(139,868)	(125,888)
	209,078	176,326
INVESTING ACTIVITIES		
Purchase of capital assets	(728,309)	(488,233)
Proceeds from disposal of capital assets	105,602	60,201
Purchase of intangible assets	(1,857)	(2,157)
Return from other assets	21,359	16,449
Cash outflow for acquisitions, net of cash acquired (Note 6)	(167,654)	(147,813)
Payment of deferred acquisition consideration and prior period working capital settlements (Note 23)	(9,175)	(5,990)
	(780,034)	(567,543)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	76,988	(34,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	71,797	103,559
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,012)	2,447
	145,773	71,797
CASH AND CASH EQUIVALENTS, END OF YEAR		
Supplementary cash flow information		
Interest paid	\$ 122,588	\$ 119,848
Income taxes paid	\$ 42,401	\$ 38,456

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

Exchange Income Corporation



Notes to the Consolidated Financial Statements For the years ended December 31, 2025, and 2024

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

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Corporation") is a diversified, acquisition-oriented corporation focused on opportunities in the Aerospace & Aviation and Manufacturing 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 December 31, 2025, the principal operating subsidiaries of the Corporation are Ben Machine Products Company Incorporated, Bradley Air Services Limited ("Canadian North"), BVGlazing Systems ("BVGlazing"), Calm Air International LP, CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd. ("Carson Air"), Custom Helicopters Ltd., DryAir Manufacturing Corporation ("DryAir"), EIC Aircraft Leasing Limited, Hansen Industries Ltd. ("Hansen"), Keewatin Air LP, LV Control Mfg. Ltd., Northern Mat & Bridge LP ("Northern Mat"), Overlanders Manufacturing LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Provincial Aerospace Ltd., Quest Window Systems, Regional One Inc., Spartan Composites Inc. ("Spartan"), Stainless Fabrication Inc., Water Blast Manufacturing LP, and WesTower Communications Ltd. Crew Training International, Inc., Quest USA, Inc., Regional One, Inc., Spartan Composites Inc. and Stainless Fabrication Inc. are wholly owned subsidiaries of EIIIF 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 due to weather impacts, and as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. Northern Mat and Spartan's businesses are 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. Certain of the Corporation's other Manufacturing segment subsidiaries also experience seasonal variability with the first quarter being the seasonally slowest.

2. BASIS OF PREPARATION

The Corporation prepares its 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"). These consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

The consolidated financial statements were approved by the Board of Directors of the Corporation for issue on February 24, 2026.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are as follows:

a) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets, financial liabilities, and derivative instruments measured at fair value.

b) Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All inter-company transactions have been eliminated for the purpose of these consolidated financial statements.

Subsidiaries are all entities (including structured entities) which the Corporation controls. The Corporation controls an entity when it is exposed to, or has the rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over those entities. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases.

c) Revenue Recognition

The Corporation recognizes revenue from the sale of retail and manufactured goods and the sale of services. Revenue is recognized for the major business activities using the methods outlined below.

Notes to the Consolidated Financial Statements

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

The Corporation may in the normal course of operations accept a nonmonetary item as consideration. The accounting for nonmonetary transactions should be based on the fair values of the assets (or services) involved, which is the same basis of that used in monetary transactions. Thus, the cost of a nonmonetary asset acquired in exchange for another nonmonetary asset is the fair value of the asset surrendered to obtain it, and a gain or loss shall be recognized on the exchange. The fair value of the asset received shall be used to measure the cost if it is more clearly evident than the fair value of the asset surrendered.

Aerospace & Aviation Segment

i. Aftermarket parts sales

Revenue from the sale of parts is recognized when control of the part has passed to the customer, which is generally when the part is shipped and the title has passed.

The Corporation is also party to consignment agreements where parts are sold with the Corporation acting as the consignee. With respect to consignment sales, the Corporation assesses whether it is a principal or an agent under the terms of the agreement. In circumstances where the Corporation is a principal, revenue is recognized in a manner consistent with other parts sales as described above. In circumstances where the Corporation is an agent, revenue is recorded net of the related cost of the part, such that the revenue recognized is equal to the margin earned by the Corporation.

ii. Aircraft and engine sales

Revenue from the sale of aircraft and engines is recognized when control of the asset has passed to the customer, which is generally when control has been transferred to the customer in accordance with the contract and title has passed.

iii. Aircraft and engine lease revenue

Revenue from the leasing of aircraft and aircraft components is recognized as revenue on a straight-line basis over the terms of the lease agreements. Certain of the Corporation's lease contracts call for billings either in advance of or subsequent to the customer's usage of the aircraft under the lease. Lease revenue received in advance is recorded as deferred revenue until such time that it has been earned. Security deposits received from customers are recorded as a liability within "Other Long-Term Liabilities" on the Statement of Financial Position. Certain leases require payments from the customer that are for the purpose of maintenance of the leased aircraft. In circumstances where the payment must be returned to the customer if it is not used for maintenance activities, the payment received from the customer is recorded as a maintenance liability. The maintenance liability is recorded in Other Long-Term Liabilities on the Statement of Financial Position.

The Corporation, as a dealer of certain aircraft and related components, may enter into a finance lease with customers. In such circumstances, the Corporation records a gross profit from the lease equivalent to the present value of the lease payments reduced by any down payments less the cost basis of the related asset. Interest is earned over the term of the lease and recognized using the effective interest method. Long-term lease receivables are recorded on the statement of financial position within "Other Assets".

iv. Surveillance and aircraft modification services

Revenue from surveillance services is recognized when the surveillance flight has been taken. For basing fees that are earned on its surveillance contracts, the Corporation recognizes revenue over time as the period for which the fee relates passes. In the case of aircraft modification services, the customer is obligated to pay for work performed to date, therefore revenue is recognized over time as the modification services are performed. The stage of completion is determined based on the costs incurred to date in comparison to the expected total costs. The timing of billings to the customer and customer payments can result in either an asset ("Amounts due from customers on construction contracts") or a liability ("Amounts due to customers on construction contracts").

v. Software development and sales of software licenses

Revenue from software development is recognized over time based on the completion of contractual performance obligations. The stage of completion is determined based on the costs incurred to date in comparison to the expected total costs.

vi. Charter, passenger flight, medevac, and cargo services

The Corporation records revenue from flight services (charter, passenger, medevac, and cargo) when the flight has been completed. Payments for these services that are received in advance of the related flight are recorded as deferred revenue until the flight is taken, the ticket expires or the goods are shipped.

Where a customer receives loyalty points based on the value of the ticket purchased, the points awarded are recognized as a separate component of the purchase price of the ticket. The amount allocated to the loyalty points component is determined based on the fair value of the loyalty points relative to the fair value of the ticket purchased. The amount allocated to the loyalty points awarded is deferred and recognized as revenue when the loyalty points are redeemed by the passenger.

Notes to the Consolidated Financial Statements

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

The Corporation performs regular evaluations of its deferred revenue liabilities and these evaluations may result in adjustments to the amount of revenue recognized. Due to the complexity associated with pricing, refunds, exchanges, and historical experience with unused tickets and other factors, certain amounts are recognized as revenue based on estimates. Events and circumstances may cause actual results to be different from estimates.

vii. Fixed Base Operations ("FBO") sales and services

The Corporation records revenue from the sale of fuel, de-icing, and other FBO sales and services when the goods or services have been delivered to the customer. Certain fuel sales transactions have the characteristics of agent sales and as a result, revenue from this type of transaction is recorded based on the net amount received from the customer. The net amount is the difference between the amount billed to the customer less the amount paid to the supplier of the fuel. The amount receivable from the customer and the amount owed to the fuel supplier are not recorded on a net basis because the legal right of offset does not exist.

viii. Training Services

The Corporation records revenue from training services over time based on the provision of training, primarily flight training hours and classroom time, which varies based on the actual training hours provided to students each month.

Manufacturing Segment

i. Sale of equipment and manufactured goods

Revenue from the sale of equipment and manufactured goods is recognized when control of the asset has passed to the customer, which is generally at the time of delivery. Payments received from customers in advance of the delivery of the goods are recorded as deferred revenue.

ii. Manufactured window sales

Revenue from the manufacture and installation of window systems is recognized over time based on input or output measures, whichever most accurately reflects the transfer of goods to the customer and for which reasonable estimates can be made. Such contracts provide that the customer accept completion of progress to date and compensate the Corporation for services rendered. Revenue recognized over time based on input measures is determined using the ratio of actual costs incurred to date over estimated costs. The timing of billings to the customer and customer payments can result in either an asset ("Amounts due from customers on construction contracts") or a liability ("Amounts due to customers on construction contracts").

iii. Tower construction services

Revenue from the construction of towers is recognized over time based on the stage of completion. The stage of completion is determined based on the costs incurred to date in comparison to the expected total costs. Such contracts provide that the customer accept completion of progress to date and compensate the Corporation for services rendered. The timing of billings to the customer and customer payments can result in either an asset ("Amounts due from customers on construction contracts") or a liability ("Amounts due to customers on construction contracts").

iv. Stainless tank sales

Revenue from the construction of stainless tanks is recognized over time based on the stage of completion. The stage of completion is determined based on the costs incurred to date in comparison to the expected total costs. Such contracts provide that the customer accept completion of progress to date and compensate the Corporation for services rendered. The timing of billings to the customer and customer payments can result in either an asset ("Amounts due from customers on construction contracts") or a liability ("Amounts due to customers on construction contracts").

v. Sales and Rentals of Mats and Bridges

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

d) Expenses

Aerospace & Aviation expenses – excluding depreciation and amortization

Notes to the Consolidated Financial Statements

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

The fixed and variable costs along with the cost of sales incurred in the operations of the Corporation's Aerospace & Aviation segment are included in this line item on the Consolidated Statements of Income. This includes costs related to shipping and handling and the cost of sales of inventory. Depreciation and amortization are presented separately on a consolidated basis.

Manufacturing expenses – excluding depreciation and amortization

The cost of sales for the Corporation's Manufacturing segment is included in this line item on the Consolidated Statements of Income. This includes costs related to shipping and handling and the cost of sales of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis.

e) *Foreign Currency Translation*

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the EIC group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is EIC's functional and presentation currency.

The financial statements of entities that have a functional currency different from that of the Corporation ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing exchange rate at the date of the statement of financial position, and income and expenses – at the average exchange rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

If the Corporation disposes of its entire interest in a foreign operation, or, loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Corporation disposes of part of an interest in a foreign operation that remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

f) *Cash and Cash Equivalents*

Cash and cash equivalents are comprised of cash and temporary investments consisting of highly liquid investments having maturities of three months or less. Interest is recorded on an accrual basis.

g) *Financial Instruments*

Recognition

Financial assets and liabilities are recorded on the statement of financial position of the Corporation when the Corporation becomes a party to the financial instrument.

Classification

The Corporation classifies its financial assets and liabilities into the following measurement categories:

- those measured subsequently at fair value, either through profit or loss or through OCI
- those measured at amortized cost

The classification of the financial asset or liability is dependent on the business model and the nature of the cash flows associated with the financial asset or liability. The Corporation will only change the classification of financial assets when the model for managing those financial assets has changed. The classification of financial liabilities cannot be changed from the classification election chosen at the time of recognition.

For assets measured at fair value, gains and losses will be either recorded in profit or loss or other comprehensive income. For equity investments not held for trading, this will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the investment at fair value through other comprehensive income ("FVOCI").

The Corporation's cash and cash equivalents are classified as financial assets measured at fair value through profit or loss ("FVTPL"). Accounts and other receivables, loans receivable and deposits are classified as financial assets measured at amortized cost. Accounts

Notes to the Consolidated Financial Statements

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

payable, the Corporation's credit facility debt, and convertible debentures are classified as financial liabilities measured at amortized cost. All financial assets and liabilities measured at amortized cost use the effective interest rate method with interest income/expense recorded in the statement of operations, as applicable.

Measurement

The Corporation initially measures its financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition, the Corporation shall measure a financial asset at one of amortized cost, FVOCI, or FVTPL. Measurement of financial liabilities is chosen at the time of initial recognition and unless specifically identified as FVTPL at the time of adoption, are subsequently measured at amortized cost.

The Corporation subsequently measures debt instruments based on the business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories:

Amortized cost: Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

FVOCI: Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

The Corporation subsequently measures all equity investments at fair value. Where the Corporation has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Corporation's right to receive payments is established.

Impairment

Expected credit losses are to be recognized using a forward-looking approach that reflects any changes in credit risk associated with the financial instruments.

For trade receivables or contract assets that do not contain a significant financing component, the loss allowance is measured at initial recognition and throughout its life at an amount equal to its lifetime expected credit loss. For trade receivables, contract assets, or lease receivables that contain a significant financing component, the Corporation applies the general model.

For financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the time value of money. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reclassified from other comprehensive income.

Hedge Accounting and Derivatives

The Corporation enters into foreign currency, interest rate, and share forward contract derivatives to manage the associated risks. Derivative instruments are recorded on the consolidated statement of financial position at fair value, including those derivatives that are embedded in financial or non-financial contracts that are required to be accounted for separately. Changes in the fair value of derivative instruments are recognized in the consolidated statement of income, except for effective changes for designated derivatives under hedge accounting as described below. All cash flows associated with purchasing and selling derivatives are classified as consistent with the hedged item in the consolidated statement of cash flow.

The Corporation documents at the inception of the hedging transaction the economic relationship between the hedging instrument and hedged item including whether the hedging instrument is expected to offset changes in the cash flows or the fair value of the hedged

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item. The Corporation documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedging relationship.

Hedges of a net investment in a foreign operation

The Corporation applies hedge accounting to certain foreign currency differences arising between the functional currency of the foreign operation and the Corporation's presentation currency, regardless of whether the net investment is held directly or through an intermediate parent. The Corporation designates either financial liabilities and/or derivative financial instruments as hedging items of the net investments in a foreign operation. When the hedged net investment is disposed of, the relevant amounts in the translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

Financial Liabilities

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective.

Derivative financial instruments

The Corporation may enter into derivative financial instruments to hedge its foreign currency exposure associated with its net investment in a foreign operation. Gains and losses on such derivative instruments are recognized in other comprehensive income to the extent the hedge is effective.

Cash flow hedges of foreign currency, interest rate, and Restricted Share Plan liabilities

The Corporation applies hedge accounting to certain designated derivatives related to the cash flow hedge of foreign currency, interest rate, and Restricted Share Plan liabilities. Under hedge accounting, to the extent effective, the gain or loss on the hedging derivatives is recorded in other comprehensive income. Premiums paid for option contracts and the time value of the option contracts are deferred as a cost of the hedge in other comprehensive income, if applicable. Amounts accumulated in other comprehensive income are reclassified to the statement of income in the corresponding line item to the hedged risk.

On initial designation of the derivative or financial liability as a hedging instrument, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives, the strategy in undertaking the hedge transaction and the hedged risk, the identification of the nature of the risk being hedged and how the Corporation will assess whether the hedging relationship meets the hedge effectiveness requirements. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements including the economic relationship, the conclusion that credit risk does not dominate the value changes from that economic relationship and the hedge ratio is appropriate. To the extent that the hedge is ineffective, such differences are recognized in the statement of income. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the statement of income.

h) Inventory

Raw material and parts inventories have been valued at the lower of cost and net realizable value. Work in progress and finished goods inventories have been valued at the lower of cost of materials and labour, plus systematically allocated overhead, and net realizable value. Cost is determined using the average cost method and net realizable value is computed as the actual selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory items previously written-down to net realizable value can be subsequently reversed, up to the original cost of the inventory, if the net realizable value of the inventory subsequently recovers.

The Corporation classifies its inventory into the following categories:

- Parts and other consumables: this includes the inventory of the Aerospace & Aviation segment subsidiaries and represents items utilized in the operations and repair of the aircraft and items purchased for resale, as applicable.
- Raw materials: this includes items used in the manufacturing of products by the Manufacturing segment subsidiaries that have no labour work performed on them.
- Work in process: this includes items that have begun to be utilized in production by the Manufacturing segment subsidiaries.

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- Finished goods: this includes items that have completed the manufacturing process and are available for sale or items purchased for resale by the Manufacturing segment subsidiaries, including consignment inventory held at certain entities in the Manufacturing segment.
- Aviation parts for resale: Cost for aviation parts and components is established based upon the price paid for the inventory, including any costs of purchase, costs of conversion, and other costs to bring such inventories to their present location and condition. Regional One's parts inventory carrying value is subsequently impacted by the use of the average cost to sales percentage method at expected selling prices to record cost of sales. The average cost to sales percentage is based on historical profitability or from contracted rates under certain procurement arrangements. Remanufactured inventory cost is based upon the price paid for the cores and also includes expenses incurred for freight, direct manufacturing costs, third party repair costs, and overhead, as applicable.

i) Capital Assets

Tangible assets comprised mainly of land, buildings, aircraft, aircraft spare parts, machinery, tooling, and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of purchased capital assets is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire it. The cost of self-constructed assets includes the cost of material, direct labor, an appropriate proportion of production overheads, and borrowing costs to construct. When an asset includes major components that have different useful lives, they are accounted for as separate items.

Expenditures incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the asset. Any replacement of an essential component will result in the original component being written off and the replacement being capitalized. All other expenditures such as ordinary maintenance and repairs are recognized in the statement of income as an expense as incurred.

In regards to the maintenance of the Corporation's aircraft, costs for routine aircraft maintenance as well as repair costs are charged as maintenance expense as incurred. Costs for major aircraft frame, engine overhauls and other major aircraft components incurred on aircraft are capitalized and amortized over the useful economic life of the components concerned.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of the assets. For the Aerospace & Aviation segment's aircraft related assets, the useful lives are primarily based on hours flown on the aircraft related item. Land is not depreciated. Residual values, method of depreciation, and useful lives of the assets are reviewed annually and adjusted if appropriate in the period of the change. The estimated useful lives of the main categories of depreciable capital assets are:

Buildings	20 – 50 years
Aircraft frames and rotables	2 – 30 years
Aircraft engines	2 – 20 years
Aircraft propellers	4 – 7 years
Aircraft landing gear	7 – 15 years
Equipment	5 – 10 years
Rental Mats	5 – 15 years
Rental Bridges	50 years
Other	2 – 15 years
Leasehold improvements over the term of the lease	

The aviation related capital assets of Regional One have useful lives that range between 1 – 7 years and depending on the condition and expected useful lives of the assets in leasing arrangements.

Gains or losses arising on the disposal of tangible fixed assets are included in the statement of income in earnings before income taxes.

j) Intangible Assets

Intangible assets are recorded at cost. The Corporation has intangible assets with indefinite lives which are not amortized. Intangible assets with finite lives are amortized as follows:

Customer contracts	Straight line based on contract term
Customer relationships	Straight-line over 5-10 years
Non-compete contracts	Straight-line over the non-compete term
Certificates	Straight-line over 2 – 30 years or until expiry
Information technology systems	Straight-line over 3 – 10 years
Backlog	Over the term of the backlog

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The amortization method and estimates of useful lives ascribed to separately identifiable intangible assets are reviewed at least each financial year end and if necessary, amortization is adjusted for on a prospective basis.

The indefinite life intangible assets, including brand names, are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

k) *Goodwill*

Goodwill is recognized to the extent of the excess of the purchase price over the fair value of the underlying identifiable net assets acquired in a business combination. Goodwill acquired through a business combination is allocated to each cash-generating unit ("CGU"), or group of CGUs, that are expected to benefit from the related business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

l) *Impairment of Long-Lived Assets*

Capital assets and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized, such as the Corporation's indefinite life intangible assets, are included in the related CGU and are tested annually for impairment or when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The Corporation determines the fair value less costs of disposal as an amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal but when no active market exists it is derived using estimation techniques including discounted cash flow analysis or earnings multiples, as applicable. The Corporation determines value in use as being the present value of the expected future cash flows of the relevant asset or CGU.

Goodwill is reviewed for impairment annually or more frequently if an indicator of impairment exists. For purposes of impairment testing, goodwill is allocated to each CGU (or group of CGUs) based on the level at which management monitors goodwill, however not higher than an operating segment. Management has allocated its goodwill to its two operating segments which represents the lowest level at which goodwill is monitored.

The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

m) *Current and Deferred Income Taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investment in subsidiaries and associates, except, in the case of subsidiaries where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are reviewed annually and reduced to the extent it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Tax related amounts are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and deferred income

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tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Corporation 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).

n) *Employee Benefits*

Share-Based Compensation – Deferred Share Plan

Certain employees of the Corporation and the Corporation's Board of Directors participate in a share-based compensation plan of the Corporation's shares (Note 20). The plan consists of individuals being granted 'deferred shares' which are essentially phantom shares. The deferred shares granted to the Corporation's non-management Board of Directors vest immediately at the time of the grant and the deferred shares granted to the employees of the Corporation vest evenly over a three-year period. The deferred shares are redeemable upon certain events and the Corporation will issue common shares from treasury equal to the number of deferred shares that have vested.

The dividend rate declared by the Corporation on issued Corporation shares is also applied to the deferred shares. The dividend amount on the deferred shares is converted into additional deferred shares based on the market value of the Corporation's shares at the time of the dividend. These additional deferred shares vest at the same time as the deferred shares that the dividend rate was applied to.

The Deferred Share Plan is accounted for as an equity-settled award. Under this method, the deferred shares granted are valued at the grant date when the grant is approved by the Corporation's board. The grant date value is based on the market price of the Corporation's stock at the grant date. As the deferred shares vest the Corporation records an expense and increases equity in accordance with the graded vesting model, including an estimate of forfeitures.

Share-Based Compensation – Restricted Share Plan

During 2018, the Corporation replaced its deferred share plan with a restricted share plan for employees of the Corporation. The plan consists of individuals being granted 'restricted shares' which are essentially phantom shares. The first grant under this new plan occurred in March 2019. The restricted shares granted to employees of the Corporation vest on December 15 of the year that is two years following the applicable award date. The Corporation records an expense over the vesting period relating to the fair value of the initial grant and any changes in the value of the Corporation's share price will result in a fair value measurement adjustment in the Consolidated Statement of Income.

The dividend rate declared by the Corporation on issued Corporation shares is also applied to the restricted shares. The dividend amount on the restricted shares is converted into additional restricted shares based on the market value of the Corporation's shares at the time of the dividend. These additional restricted shares vest at the same time as the restricted shares that the dividend rate was applied to.

The Restricted Share Plan is accounted for as a cash-settled award. Under this method, the restricted shares granted are valued at the grant date when the grant is approved by the Corporation's board. Over the vesting period, the cost of the program, including any fair value adjustments based on the change in the trading price of the Corporation's shares and an estimate for forfeitures, is recorded as an expense in the Statement of Income with a corresponding liability recorded in Accounts Payable and Accrued Liabilities. The grant date value is based on the market price of the Corporation's shares at the grant date.

Share-Based Compensation – Employee Share Purchase Plan

Certain employees of the Corporation participate in a share based compensation plan of the Corporation's shares. The fair value of shares to be awarded to employees is recognized as compensation expense on a straight-line basis over the applicable vesting period net of estimated forfeitures. For a share granted to an employee who is eligible to retire at the grant date, the fair value of the share is expensed on the grant date. For a share granted to an employee who will become eligible to retire during the vesting period, the fair value of the share is expensed over the period from the grant date to the date the employee becomes eligible to retire.

o) *Provisions*

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the Corporation's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Corporation performs evaluations to identify onerous contracts which are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and, where applicable, records provisions for such contracts.

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Onerous contract provisions are recognized when the unavoidable costs of meeting the obligation exceed the economic benefit derived from the contract. The provision for onerous contracts is measured at the present value of the estimated future cash flows underlying the obligations less any estimated recoveries, discounted at the credit adjusted risk-free rate.

p) *Borrowing Costs*

Borrowing costs attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

q) *Leases and Right of Use Assets*

The Corporation leases various buildings, land, and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right of use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- The exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Variable lease payments that are not based on an index or rate, such as those that are based on usage, are excluded from IFRS 16 and are recorded as an operating expense. Several of the Corporation's agreements include extension options and the Corporation reviews each option and includes the extension option in the calculation of the right of use liability when appropriate. If the Corporation exercises an extension option in the future that was not assumed to be exercised on initial recognition, the Corporation will record a right of use asset and right of use lease liability at that time. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes. Each lease payment is allocated between the liability and interest expense. The interest cost is charged to the consolidated statement of operations over the lease period to produce a constant rate of interest on the remaining balance of the liability for each period.

Right of use assets are accounted for under IFRS 16 Leases. Right of use assets have the same accounting policies as directly owned assets.

r) *Share Capital*

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

s) *Dividends*

Dividends on common shares of the Corporation are recognized in the Corporation's financial statements in the period in which the dividends are declared.

t) *Earnings per Share*

Basic earnings per share ("EPS") is calculated by dividing the net income for the period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Corporation's potential dilutive instruments are convertible debentures and deferred shares under the Corporation's Deferred Share Plan. The dilutive impact of convertible debentures is calculated using the "if converted" method.

Future accounting changes

In May 2024, the IASB issued narrow scope amendments to IFRS 7 – Financial Instruments: Disclosures and IFRS 9 – Financial Instruments. These amendments address matters identified during the post-implementation review of IFRS 9, specifically with respect to classification and measurement. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The Corporation plans to adopt the amendments from their effective date of January 1, 2026, including the accounting policy election to derecognize a financial liability settled in full or in part using an electronic payment system before the settlement date. The Corporation utilizes electronic payment methods that settle within two days and are irrevocable with insignificant settlement risk. The accounting policy election will allow the Corporation to derecognize the financial liability when the electronic payment is issued.

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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 plans to adopt the standard on its effective date January 1, 2027 retrospectively with a restatement of the comparative period. IFRS 18 modifies the presentation of the Consolidated Statements of Income, with presentation of revenue and expenses within three categories – operating, investing and financing. The Corporation is currently assessing the impact adoption of IFRS 18 will have on its consolidated financial statements.

4. EARNINGS BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS, TAXES, AND OTHER

The Corporation presents, as an additional IFRS Accounting Standards measure, earnings before depreciation, amortization, finance costs, taxes, and other in the 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. Earnings before depreciation, amortization, finance costs, taxes, 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 consolidated 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. The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements. These underlying assumptions are reviewed on an ongoing basis. Actual results could differ materially from those estimates.

Accounting Estimates

Business Combinations

The Corporation's business acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the subsidiary, and the equity interests issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Corporation is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability are generally recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer contracts, customer relationships, customer lists, order backlog, certifications, software intellectual property ("IP"), and brand names. To determine the fair value of customer-based intangible assets (excluding brand names), the Corporation uses the excess earning method. This valuation technique values the intangible assets based on the capitalization of the earnings, which are calculated to be in excess of what a reasonable amount of earnings would be on the tangible assets used to generate the earnings. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates, and anticipated average income tax rates. To determine the fair value of the brand name and software IP intangible assets, the Corporation uses the royalty relief method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates, and anticipated average income tax rates. To determine the fair value of the certifications, the Corporation uses the cost approach. This valuation technique values the intangible assets based on the estimated costs a market participant would incur to obtain the certification.

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions are reassessed each period end subsequent to 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 year, there was no change to the estimated final payment to vendors (2024 – \$nil). Amounts related to changes in the estimated purchase consideration are recognized within "Other" in the

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Statement of Income.

Long-term Contract Revenue Recognition

Revenue and income from fixed price construction contracts are recognized over time using the methodology that most accurately reflects the transfer of goods to the customer. The Corporation has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance factors, contract profit can differ significantly from earlier estimates. Management believes, based on its experience that its current systems of management and accounting controls allow the Corporation to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions, changes in underlying raw material cost estimates, and the accuracy of the original bid estimate. Accordingly, management applies significant judgment to estimate the costs to complete these long-term construction contracts, including the use of significant assumptions with respect to estimated labour costs, material costs and subcontracting costs, as applicable.

Since the Corporation has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates on larger, more complex construction projects can have a material impact on the Corporation's consolidated financial statements and are reflected in the results of operations when they become known.

Estimating the transaction price of a contract is an involved process that is affected by a variety of uncertainties that depend on the outcome of a series of future events. The estimates must be revised each period throughout the life of the contract when events occur and as uncertainties are resolved. The major factors that must be considered in determining total estimated revenue include (a) the basic contract price, (b) contract options, (c) change orders, (d) claims, and (e) contract provisions for penalty and incentive payments, including award fees and performance incentives. The Corporation is required to make estimates of variable consideration in determining the transaction price, subject to the guidance on constraining estimates of variable consideration.

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, the Corporation will include in the transaction price an estimate of the variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Claims are amounts in excess of the agreed contract price or amounts not included in the original contract price, that the Corporation seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute, or unapproved as to both scope and price, or other causes of unanticipated additional costs. Judgment is required to determine if the claim is an enforceable obligation based on the specific facts and circumstances, however, the Corporation will include in the transaction price an estimate of the variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Given the above-noted critical accounting estimates associated with the accounting for construction contracts, it is possible, based on existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected.

Depreciation & Amortization Period for Long-lived Assets

The Corporation makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets, the Corporation's aircraft fleet plans, and the cash flows expected to be generated from them. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in utilization of the aircraft, changing market prices for aircraft of the same or similar types, and changes in the utilization of other major manufacturing equipment and buildings. Estimates and assumptions are evaluated at least annually. Generally, these adjustments are accounted for as a change in estimate, on a prospective basis, through depreciation or amortization expense. For the purposes of sensitivity analysis on these estimates, a 50% reduction to residual values on the Corporation's aircraft with remaining useful lives greater than five years as at December 31, 2025, would result in an increase of approximately \$15,465 (2024 - \$11,697) to annual depreciation expense. For the Corporation's aircraft with shorter remaining useful lives and other major manufacturing equipment and buildings, the residual values are not expected to change significantly.

Impairment Considerations on Long-lived Assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and all indefinite life intangibles are assessed for impairment at least annually. Impairment testing is performed on long-lived assets by comparing the carrying amount of the asset or cash generating

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unit ("CGU") to its recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.

Fair value less costs of disposal calculates the recoverable amount using Adjusted EBITDA multiples based on financial forecasts prepared by management (level 3 within the fair value hierarchy).

Intangible Assets

The recoverable amount is forecasted with management's best estimate using market participant assumptions considering historical and expected operating plans, current strategies, economic conditions, and the general outlook for the industry and markets in which the cash generating units operate.

The recoverable amount of the CGUs was based on value in use using a discounted cash flow model, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates, and future growth rates. The assumptions include the Corporation's pre-tax weighted average cost of capital at the assessment date (level 3 within the fair value hierarchy). Management has prepared cash flow estimates for a three year period which are extrapolated using an estimated terminal growth rate of 3.0% and a discount rate (pre-tax) of 15%.

The Corporation has concluded that there are no impairments of its indefinite lived intangible assets as a result of this assessment as at December 31, 2025.

Goodwill

The recoverable amount of the goodwill CGUs was calculated based on the fair value less costs of disposal, using an Adjusted EBITDA multiple approach (Level 3 within the fair value hierarchy) based on the Corporation's assessment of market participant assumptions.

The Corporation used its forecasted Adjusted EBITDA based on its approved budget and used its best estimate of market participant Adjusted EBITDA multiples (Level 3 within the fair value hierarchy). The Adjusted EBITDA multiple used for the Aerospace & Aviation segment was 9.5x (2024 – 8.0x) and was 8.0x (2024 – 7.5x) for the Manufacturing segment. The Corporation will, at times, perform various scenario and sensitivity analysis when calculating the recoverable amounts of CGUs which may include alternative models and assumptions.

The Corporation has concluded that there was no impairment of its goodwill CGUs as a result of this assessment at December 31, 2025.

Deferred Income Taxes

The Corporation is subject to income taxes in Canada, the United States, and certain other jurisdictions. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation maintains provisions for uncertain tax positions that are believed to appropriately reflect our risk with respect to tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Corporation regularly assesses the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by the relevant taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Critical Accounting Judgments

Measurement and Presentation of Capital Assets and Inventory

The Corporation may purchase certain aircraft and aircraft components in the normal course of the operations. The Corporation must assess whether the aircraft and engines should be recognized as either inventory or capital assets depending on the anticipated use of such assets, including the ability to lease these tangible assets to customers. The determination is based on available cycle times related to aviation components and whether such assets are expected to be used over several periods, in which case they would be classified as capital assets and depreciated over their useful lives commencing when the asset is available for use and capable of operating in a manner intended by management. The Corporation reviews its tangible assets on a regular basis to assess whether reclassifications are required between capital assets and inventory.

In the normal course of business, it may acquire entire aircraft or components of an aircraft for breakdown into saleable parts. The Corporation relieves cost out of inventory using the average cost to sales percentage based on the expected selling price. Accordingly, the carrying value of inventory and recognition of the related cost of sale requires estimates related to the margins that the Corporation will ultimately earn on the parts. The Corporation has a process whereby such estimates are reviewed and assessed for reasonableness

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on a regular basis and the underlying inventory may be appraised by a third party. However, due to unforeseen changes in market conditions or other factors, the estimated average cost to sales percentages may differ significantly from earlier estimates. Management believes, based on its industry experience, that its current systems of management and accounting controls allow the Corporation to produce materially reliable estimates of the carrying value of inventory and related cost of sales. However, many factors can and do change throughout a component part's life, which can result in a change to future average cost to sales percentage estimates. Some of the factors that can change include significant changes in worldwide utilization of certain aircraft types which the parts support, the available supply of original equipment manufacturer or aftermarket parts, and changes in airworthiness directives by aviation authorities. Such changes can alter the supply and demand associated with the Corporation's parts inventory and therefore, it is possible that outcomes within the next financial year could be different from the estimates and assumptions and could result in an impairment of inventory or a decrease in the average cost to sales percentage on future sales.

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

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6. ACQUISITIONS

Newfoundland Helicopters Ltd (“Newfoundland Helicopters”).

On May 12, 2025, the Corporation acquired the shares of Newfoundland Helicopters. Newfoundland Helicopters, headquartered in Clarenville, Newfoundland and Labrador, is a helicopter charter service founded in 2005. Its operations serve diverse sectors including healthcare, mining, construction, utilities and leisure.

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

Consideration given:	
Cash	\$ 12,174
Issuance of 26,230 shares of the Corporation at \$52.61 per share	1,380
Final working capital settlement	(2)
Total purchase consideration	\$ 13,552

The preliminary allocation of the purchase price is reflected in the table that follows.

Fair value of assets acquired:	
Cash	\$ 1,323
Accounts receivable	1,001
Inventory	84
Prepaid expenses and deposits	43
Capital assets	12,339
Right of use assets	1,490
	16,280
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	725
Income taxes payable	1
Right of use lease liabilities	1,490
Deferred income tax liability	3,212
Fair value of identifiable net assets acquired	10,852
Goodwill	2,700
Total purchase consideration	\$ 13,552

The goodwill is attributable to the profitability of the acquired business.

Bradley Air Services Ltd (“Canadian North”).

On July 1, 2025, the Corporation completed its acquisition of Canadian North. Canadian North provides essential passenger and cargo services, using a combination of leased and owned Boeing 737 jets and ATR turboprops, to 24 remote Canadian Arctic communities in Nunavut and the Northwest Territories, from its southern gateways in Ottawa and Edmonton. Canadian North is also a provider of air charter services for large resource sector clients.

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

Consideration given:	
Cash purchase consideration	\$ 179,727
Issuance of 158,297 shares of the Corporation at \$59.76 per share	9,459
Estimated working capital settlement	(11,846)
Contingent consideration	8,275
Total purchase consideration	\$ 185,615

On July 16, 2025, the Corporation executed a Long-Term Air Services Agreement (“Services Agreement”) with the Government of Nunavut. The Services Agreement includes the option for the Government of Nunavut to purchase a non-controlling interest in Canadian North for a fixed price, subject to customary adjustments, and is exercisable for one year from the date of the agreement. The Corporation used an

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option pricing model to value the purchase option, and has recognized a \$5,000 contract asset and non-controlling interest associated with this option at inception.

The written option, issued by the Corporation, on a subsidiaries' shares that qualifies for equity classification is accounted for as non-controlling interest. During the period, when the option is outstanding, the option holder is not attributed any profit or loss of the subsidiary pertaining to the call option. The non-controlling interest remains in existence until the option expires or is exercised. Upon exercise, the change in the Corporation's interest in the subsidiary should be accounted for as an equity transaction based on the non-controlling interest holder's proportionate share of the Corporation's basis in the subsidiary's equity. If the option expires the carrying amount of the non-controlling interest will be reclassified from non-controlling interest to equity of the Corporation.

The preliminary allocation of the purchase price is reflected in the table that follows.

Fair value of assets acquired:	
Cash	\$ 22,924
Accounts receivable	63,431
Inventory	16,233
Prepaid expenses and deposits	10,087
Income taxes receivable	188
Capital assets	229,599
Right of use assets	88,554
Other assets	142
Intangible assets	10,300
	441,458
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	106,078
Deferred revenue	38,908
Right of use lease liabilities	88,554
Deferred income tax liability	26,341
Other long term liabilities	13,736
Fair value of identifiable net assets acquired	167,841
Goodwill	17,774
Total purchase consideration	\$ 185,615

All of the \$10,300 acquired intangible asset value was assigned to brand name. Brand name is considered to have an indefinite life. The goodwill is attributable to the skilled workforce and the profitability of the acquired business.

7. INVENTORIES

The inventory of the Corporation's operating subsidiaries is classified into the following categories:

	December 31 2025	December 31 2024
Parts and other consumables	\$ 106,234	\$ 78,384
Aviation parts for resale	281,256	291,642
Raw materials	50,456	52,906
Work in process	14,374	18,531
Finished goods	58,841	55,080
Total inventory	\$ 511,161	\$ 496,543

During 2025, inventory from the Aerospace & Aviation segment with a value of \$228,624 (2024 – \$178,771) was recorded as an expense within the Aerospace & Aviation expenses – excluding depreciation and amortization, and inventory from the Manufacturing segment with a value of \$228,141 (2024 – \$210,544) was recorded as an expense within Manufacturing expenses – excluding depreciation and amortization.

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8. OTHER ASSETS

The other assets of the Corporation consist of the following:

	December 31 2025	December 31 2024
Long-term prepaid expenses and security deposits	\$ 5,388	\$ 5,882
Long-term receivables	41	1,316
Contract assets	4,750	-
Equity method investments	78,760	103,037
Other investments - Fair value through OCI (Note 23)	8,043	6,830
Derivative financial instruments - Fair value through profit and loss (Note 23)	13,609	17,620
Total other assets	\$ 110,591	\$ 134,685

The Corporation is invested in a number of equity accounted investments in non-trading entities at December 31, 2025. The Corporation's ownership percentages in the entities are 25%, 33%, 49%, 49%, 50% and 50%, and the carrying values at December 31, 2025 are \$7,865 (2024 - \$14,196), \$12,534 (2024 - \$11,830), \$1,961 (2024 - \$4,555), \$30,309 (2024 - \$29,665), \$8,343 (2024 - \$22,210), and \$17,606 (2024 - \$20,581), respectively. The reporting period end for the equity accounted investments is December 31. These entities have total assets of \$305,435 (2024 - \$335,916) and total liabilities of \$137,210 (2024 - \$119,398) at December 31, 2025. The entities had revenues of \$273,389 (2024 - \$382,578) and net income of \$25,439 (2024 - \$34,899) for the year ended December 31, 2025. During the year, the Corporation received combined net distributions of \$25,540 from these entities. These investments, for which fair market value is not available, have been included within the equity method investments line above.

The Corporation is invested in non-trading entities that are accounted for at fair value through OCI. At December 31, 2025, the carrying value of these entities is \$8,043 (2024 - \$6,830).

The Corporation uses several derivative financial instruments to manage various risks as discussed further in Note 23. This includes an interest rate swap, cross currency swap, and hedge of its equity compensation plan. The amount recorded in other assets is the net asset position on any of these derivatives. Any net liability positions are presented in Other Long-Term Liabilities.

During 2025, subsequent to the acquisition of Canadian North, the Corporation granted the Government of Nunavut an option to purchase a non-controlling interest in Canadian North in connection with the Long Term Air Services Agreement (Note 6). This resulted in a contract asset being recorded and amortized over the period of the agreement.

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9. CAPITAL ASSETS

The Corporation's capital assets consist of the following:

	Cost	Accumulated Depreciation	December 31, 2025 Net Book Value
Land	\$ 14,552	\$ -	\$ 14,552
Buildings	298,069	98,313	199,756
Aircraft frames	1,050,044	375,789	674,255
Aircraft engines	605,509	254,235	351,274
Aircraft propellers and rotors	115,879	42,191	73,688
Aircraft landing gear	89,878	27,387	62,491
Aircraft rotatable parts	275,992	117,060	158,932
Equipment	444,548	269,631	174,917
Other	36,833	26,307	10,526
Leasehold improvements	49,858	30,978	18,880
	2,981,162	1,241,891	1,739,271
Assets for rent or lease to third parties	922,122	304,417	617,705
Total	\$ 3,903,284	\$ 1,546,308	\$ 2,356,976

Net Book Value	Year Ended December 31, 2025						
	Opening	Acquisition (Note 6)	Additions/ Transfers	Disposals	Depreciation	Exchange Differences	Ending
Land	\$ 14,576	\$ 61	\$ -	\$ -	\$ -	\$ (85)	\$ 14,552
Buildings	140,134	48,856	18,303	(404)	(7,569)	436	199,756
Aircraft frames	550,409	90,731	102,392	(6,484)	(62,794)	1	674,255
Aircraft engines	229,757	42,059	146,434	(4,119)	(62,857)	-	351,274
Aircraft propellers and rotors	51,779	3,731	32,316	(957)	(13,181)	-	73,688
Aircraft landing gear	47,106	-	21,504	(823)	(5,296)	-	62,491
Aircraft rotatable parts	110,527	19,997	66,675	(1,082)	(37,341)	156	158,932
Equipment	142,466	34,766	33,330	(11)	(34,427)	(1,207)	174,917
Other	9,795	-	4,281	(179)	(2,911)	(460)	10,526
Leasehold improvements	15,199	1,737	4,674	(22)	(2,554)	(154)	18,880
	1,311,748	241,938	429,909	(14,081)	(228,930)	(1,313)	1,739,271
Assets for rent or lease to third parties	512,859	-	298,610	(87,633)	(81,969)	(24,162)	617,705
Total	\$ 1,824,607	\$ 241,938	\$ 728,519	\$ (101,714)	\$ (310,899)	\$ (25,475)	\$ 2,356,976

During the year, the Corporation had transfers of \$210 (December 31, 2024 \$167) from right of use assets to capital assets, which had no cash impact.

During the year, the Corporation had net transfers of \$35,067 from capital assets to inventory (December 31, 2024 - \$7,684 from capital assets to inventory). The Corporation transfers capital assets out of the assets for rent or lease to third parties portfolio into inventory for part out and resale when it is determined beneficial to do so as part of the normal life cycle of older aircraft. In addition, the Corporation may also transfer assets from inventory to capital assets to increase the future economic benefit of its operating aircraft (Note 5). The net of these transfers is included within the Additions/Transfers column.

In the tables above and below, assets for lease to third parties includes both the Corporation's aircraft and engine lease portfolio and its rental access mat and bridge portfolio.

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	Cost	Accumulated Depreciation	December 31, 2024 Net Book Value
Land	\$ 14,576	\$ -	\$ 14,576
Buildings	196,618	56,484	140,134
Aircraft frames	778,127	227,718	550,409
Aircraft engines	408,805	179,048	229,757
Aircraft propellers and rotors	88,366	36,587	51,779
Aircraft landing gear	71,641	24,535	47,106
Aircraft rotatable parts	192,567	82,040	110,527
Equipment	370,465	227,999	142,466
Other	35,929	26,134	9,795
Leasehold improvements	42,497	27,298	15,199
	2,199,591	887,843	1,311,748
Assets for rent or lease to third parties	803,417	290,558	512,859
Total	\$ 3,003,008	\$ 1,178,401	\$ 1,824,607

Net Book Value	Year Ended December 31, 2024							
	Opening	Acquisition	Additions/ Transfers	Disposals	Depreciation	Exchange Differences	Ending	
Land	\$ 10,323	\$ 4,137	\$ 39	\$ -	\$ -	\$ 77	\$ 14,576	
Buildings	120,179	766	23,809	(38)	(4,777)	195	140,134	
Aircraft frames	484,973	-	120,507	(3,631)	(51,442)	2	550,409	
Aircraft engines	209,967	-	65,104	(4,691)	(40,626)	3	229,757	
Aircraft propellers and rotors	46,585	-	17,644	(559)	(11,891)	-	51,779	
Aircraft landing gear	46,266	-	7,000	(738)	(5,422)	-	47,106	
Aircraft rotatable parts	87,416	-	49,320	(887)	(25,349)	27	110,527	
Equipment	124,432	20,469	21,781	(233)	(25,998)	2,015	142,466	
Other	11,827	253	1,065	(398)	(3,043)	91	9,795	
Leasehold improvements	12,201	624	4,552	-	(2,460)	282	15,199	
	1,154,169	26,249	310,821	(11,175)	(171,008)	2,692	1,311,748	
Assets for rent or lease to third parties	416,898	3,124	177,579	(41,259)	(76,838)	33,355	512,859	
Total	\$ 1,571,067	\$ 29,373	\$ 488,400	\$ (52,434)	\$ (247,846)	\$ 36,047	\$ 1,824,607	

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10. LEASES

The Corporation's right of use assets consist of the following:

Net Book Value	January 1, 2025					December 31, 2025		
	Opening	Acquisitions (Note 6)	Additions	Disposals/ Transfers	Depreciation	Exchange Differences	Ending	
Land	\$ 25,377	\$ 2,813	\$ 1,600	\$ -	\$ (1,778)	\$ -	\$ 28,012	
Building	105,535	10,115	45,940	(4,797)	(28,222)	(795)	127,776	
Aircraft	23,373	31,202	81	(18,559)	(7,896)	-	28,201	
Equipment	6,215	45,915	22,128	(497)	(11,120)	(2)	62,639	
Other	8,111	-	547	(7,623)	(263)	-	772	
Total	\$ 168,611	\$ 90,045	\$ 70,296	\$ (31,476)	\$ (49,279)	\$ (797)	\$ 247,400	

Net Book Value	January 1, 2024					December 31, 2024		
	Opening	Acquisitions	Additions	Disposals	Depreciation	Exchange Differences	Ending	
Land	\$ 26,741	\$ -	\$ 623	\$ (429)	\$ (1,558)	\$ -	\$ 25,377	
Building	97,688	2,628	32,419	(4,273)	(24,702)	1,775	105,535	
Aircraft	32,025	-	672	-	(9,324)	-	23,373	
Equipment	5,393	-	4,953	(71)	(4,065)	5	6,215	
Other	8,252	-	277	(8)	(410)	-	8,111	
Total	\$ 170,099	\$ 2,628	\$ 38,944	\$ (4,781)	\$ (40,059)	\$ 1,780	\$ 168,611	

During the year the Corporation transferred \$210 (December 31, 2024 - \$167) from right of use assets to capital assets, which had no cash impact and is reflected in the Disposals column.

The Corporation's right of use lease liabilities consist of the following:

Right of Use Lease Liability	2025	2024
Opening balance, January 1	\$ 180,153	\$ 180,154
Additions to right of use lease liabilities, including through acquisitions	160,341	41,572
Disposals of right of use assets and derecognition of lease liabilities	(31,266)	(4,627)
Principal payments on right of use lease liabilities	(50,133)	(39,017)
Exchange differences	(929)	2,071
Closing balance, December 31	\$ 258,166	\$ 180,153
Current portion	\$ 56,587	\$ 39,832

During the year, the Corporation expensed \$16,382 (December 31, 2024 - \$12,087) in leases that did not meet the thresholds for recognition under IFRS 16. These leases were either low value, less than twelve months or contained variable payments that fell outside of the scope of the standard.

The Corporation assessed the extension periods embedded within each lease for inclusion in the right of use lease liabilities on a lease by lease basis. When it determined it was reasonably certain to exercise the extension option within the lease, the Corporation has included those extension periods in the initial recognition of the right of use asset and right of use lease liability. Significant leases where assumptions have been made are long-term airport leases and long-term building leases.

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Undiscounted Right of Use Lease Liability Payments	December 31, 2025	December 31, 2024
Less than 1 year	\$ 66,914	\$ 48,728
Between 1 year and 5 years	162,331	107,920
More than 5 years	56,013	47,754
	\$ 285,258	\$ 204,402

The Corporation enters into operating leases as a lessor as it leases aircraft and engines to third parties. During 2025, the Corporation generated \$113,541 in lease income from these leases (December 31, 2024 - \$80,304), of which \$53,773 (December 31, 2024 - \$42,311) relates to variable lease payments that are not dependent on an index or a rate.

The Corporation manages the risks associated with its lease portfolio through how it purchases these assets. The Corporation purchases aftermarket aircraft and engines with green time remaining generally with the intent to part the aircraft out for sale after the green time has been consumed by lessees. While the Corporation may overhaul an engine to put it back into the lease portfolio, typically assets are parted out and sold as piece components if they have reached the stage where they require significant overhaul. The Corporation has an intimate understanding of the value of the individual components and this mitigates the risk that an asset will be returned by a lessee in a condition where the Corporation is unable to monetize the remaining value of the asset. There are also lease redelivery conditions within certain leases that ensures the asset is returned in specific conditions by the lessee. The Corporation's investment philosophy for these types of assets results in shorter term leases than a typical finance lessor.

The chart below shows the undiscounted minimum fixed lease payments the Corporation is entitled to receive under these lease arrangements, which are generally shorter term due to the nature of the assets owned by the Corporation.

Undiscounted Future Minimum Lease Payments	December 31, 2025	December 31, 2024
Less than 1 year	\$ 39,018	\$ 48,807
Between 1 year and 5 years	67,488	55,983
More than 5 years	120	468
	\$ 106,626	\$ 105,258

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11. INTANGIBLE ASSETS & GOODWILL

The following summarizes the Corporation's intangible assets as at December 31, 2025 and 2024:

			December 31, 2025	
	Cost	Accumulated Amortization	Net Book Value	
Indefinite Life Assets				
Brand name	\$ 176,936	\$ -	\$ 176,936	
Finite Life Assets				
Customer contracts and relationships	266,977	125,147	141,830	
Certifications	10,659	608	10,051	
Information technology systems	35,373	20,363	15,010	
Other	9,859	5,480	4,379	
Total	\$ 499,804	\$ 151,598	\$ 348,206	

Net Book Value	Year Ended December 31, 2025						
	Opening	Acquisition	Additions/ Transfers (Note 6)	Disposals	Amortization	Exchange Differences	Ending
Indefinite Life Assets							
Brand name	\$ 168,787	\$ 10,300	\$ -	\$ -	\$ -	(2,151)	\$ 176,936
Finite Life Assets							
Customer contracts and relationships	166,357	-	-	-	(22,607)	(1,920)	141,830
Certifications	10,092	-	-	-	(25)	(16)	10,051
Information technology systems	15,178	-	1,339	-	(1,507)	-	15,010
Other	4,211	-	518	-	(350)	-	4,379
Total	\$ 364,625	\$ 10,300	\$ 1,857	\$ -	\$ (24,489)	\$ (4,087)	\$ 348,206

			December 31, 2024	
	Cost	Accumulated Amortization	Net Book Value	
Indefinite Life Assets				
Brand name	\$ 168,787	\$ -	\$ 168,787	
Finite Life Assets				
Customer contracts and relationships	272,546	106,189	166,357	
Certifications	10,961	869	10,092	
Information technology systems	34,065	18,887	15,178	
Other	10,374	6,163	4,211	
Total	\$ 496,733	\$ 132,108	\$ 364,625	

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								Year Ended December 31, 2024
Net Book Value	Opening	Acquisition	Additions/ Transfers	Disposals	Amortization	Exchange Differences	Ending	
Indefinite Life Assets								
Brand name	\$ 151,985	\$ 13,802	\$ -	\$ -	\$ -	\$ 3,000	\$ 168,787	
Finite Life Assets								
Customer contracts and relationships	150,649	33,898	-	-	(20,092)	1,902	166,357	
Certifications	9,811	-	294	-	(27)	14	10,092	
Information technology systems	16,477	-	669	-	(1,968)	-	15,178	
Other	3,440	-	1,194	-	(423)	-	4,211	
Total	\$ 332,362	\$ 47,700	\$ 2,157	\$ -	\$ (22,510)	\$ 4,916	\$ 364,625	

The Corporation has brand name indefinite life assets for subsidiaries across both of its operating segments. These subsidiaries each have a brand name that represents the quality of goods or services and safety standards that those entities provide to their customers.

Goodwill	2025	2024
Balance, beginning of year	\$ 827,229	\$ 713,196
Goodwill from business acquisitions (Note 6)	20,474	97,991
Measurement period adjustment - settlement of working capital and other (Note 23)	(10,031)	80
Translation of goodwill of foreign operations	(12,228)	15,962
Balance, end of year	\$ 825,444	\$ 827,229

As a result of the foreign currency translation policy for the consolidation of US dollar functional currency subsidiaries as described in Note 3, the goodwill recorded in these subsidiaries of US \$171,740 is valued at the period-end exchange rate. As a result, the goodwill fluctuates as the Canadian dollar reporting currency changes in comparison to the US dollar.

The Corporation completed its annual impairment testing for goodwill and indefinite life intangible assets as at December 31, 2025 (Note 5). As at December 31, 2025, there was no impairment of goodwill or indefinite life intangible assets based on management's assessment.

12. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at December 31, 2025, and December 31, 2024:

	December 31 2025	December 31 2024
Revolving term facility:		
Canadian dollar amounts drawn	\$ 387,200	\$ 350,000
United States dollar amounts drawn (US\$1,307,243 and US\$1,025,198 respectively)	1,791,707	1,475,157
Total credit facility debt outstanding, principal value	2,178,907	1,825,157
less: unamortized transaction costs	(4,222)	(3,291)
Long-term debt	\$ 2,174,685	\$ 1,821,866

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 December 31, 2025.

Interest expense recorded by the Corporation during the year ended December 31, 2025 for long-term debt was \$107,881 (2024 – \$101,886). Additional information on long term debt can be found in Note 23.

On April 28, 2025, the Corporation amended its credit facility. The enhanced credit facility increased to \$3.0 billion and its term was extended to April 30, 2029. The credit facility includes \$2,412 million allocated to the Corporation's Canadian Head Office and US \$420 million allocated to EIF Management USA, Inc. The amount allocated to the Corporation's Canadian Head Office includes the continuation of the previously announced \$200 million social loan tranche, which is being used to fund the purchase of new King Air aircraft at Carson Air for the long-term

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medevac contract with the Province of British Columbia. The \$200 million social loan tranche permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes.

On January 26, 2026, subsequent to the end of the year, the Corporation amended its credit facility. The enhanced credit facility increased to \$3.5 billion and its term was extended to January 26, 2030. The new facility was also amended from a secured facility to an unsecured facility (Note 27).

Credit Facility

The following is the continuity of long-term debt for the year ended December 31, 2025:

	Year Ended December 31, 2025				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	\$ 350,000	\$ 390,600	\$(353,400)	\$ -	387,200
United States dollar amounts	1,475,157	476,365	(110,926)	(48,889)	1,791,707
	\$ 1,825,157			\$	2,178,907

	Year Ended December 31, 2024				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	\$ 540,000	\$ 160,800	\$(350,800)	\$ -	350,000
United States dollar amounts	887,035	539,202	(21,314)	70,234	1,475,157
	\$ 1,427,035			\$	1,825,157

In the tables above, withdrawals and repayments include the impact of entering into cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. However for cash flow presentation purposes, such amounts are netted as they are part of an effective hedging relationship. More information on the cross currency swaps can be found in Note 23.

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13. CONVERTIBLE DEBENTURES

Summary of the debt component of the convertible debentures:

	2025 Balance, Beginning of year	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2025 Balance, End of year
Unsecured Debentures - March 2019	85,197	-	123	(77,746)	(7,574)	-
Unsecured Debentures - July 2021	140,302	-	783	(133,282)	(7,803)	-
Unsecured Debentures - December 2021	111,943	-	830	(103,986)	(8,787)	-
						-
less: unamortized transaction costs						-
Convertible Debentures - Debt Component, end of year						\$ -

	2024 Balance, Beginning of year	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2024 Balance, End of year
Unsecured Debentures - 2019	84,737	-	570	(110)	-	85,197
Unsecured Debentures - July 2021	139,465	-	837	-	-	140,302
Unsecured Debentures - December 2021	111,292	-	651	-	-	111,943
						337,442
less: unamortized transaction costs						(7,052)
Convertible Debentures - Debt Component, end of year						\$ 330,390

On February 13, 2025, the Corporation completed the early redemption of its 7 year, 5.75% convertible debentures, which were due on March 31, 2026. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility. Prior to the redemption, convertible debentures with a total face value of \$78,383 were converted by the holders at various times into 1,599,642 shares of the Corporation at a price of \$49.00 per share (2024 – \$nil and nil shares). On February 13, 2025, the remaining outstanding principal amount of \$7,574 was redeemed by the Corporation.

On September 29, 2025, the Corporation completed the early redemption of its 7 year 5.25% convertible debentures, which were due July 31, 2028. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility. Prior to the redemption, convertible debentures with a total face value of \$135,929 were converted by the holders at various times into 2,579,285 common shares of the Corporation at a price of \$52.70 per share (2024 – \$nil and nil shares). On September 29, 2025, the remaining outstanding principal amount of \$7,803 was redeemed by the Corporation.

On December 2, 2025, the Corporation completed the early redemption of its 7 year 5.25% convertible debentures, which were due January 15, 2029. The redemption of the debentures was completed with cash on hand from the Corporation's credit facility. Prior to the redemption, convertible debentures with a total face value of \$106,213 were converted by the holders at various times into 1,770,205 common shares of the Corporation at a price of \$60.00 per share (2024 – \$nil and nil shares). On December 2, 2025, the remaining outstanding principal amount of \$8,787 was redeemed by the Corporation.

Interest expense recorded during the 2025 year for the convertible debentures was \$13,796 (2024 – \$27,794).

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.

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Summary of the equity component of the convertible debentures:

	December 31 2025	December 31 2024
Unsecured Debentures - 2019	-	2,487
Unsecured Debentures - July 2021	-	4,240
Unsecured Debentures - December 2021	-	3,413
Convertible Debentures - Equity Component, end of year	\$ -	\$ 10,140

14. SHARE CAPITAL

Changes in the shares issued and outstanding during the year ended December 31, 2025, are as follows:

	Number of Shares	2025 Amount
Share capital, beginning of year	49,602,431	\$ 1,377,171
Issued upon conversion of convertible debentures	5,949,132	321,849
Issued under dividend reinvestment plan	323,495	19,424
Issued under employee share purchase plan	66,813	4,062
Issued under Indigenous community partnership agreements	3,500	176
Shares issued to Newfoundland Helicopters vendors on closing (Note 6)	26,230	1,380
Shares issued to Canadian North vendor on closing (Note 6)	158,297	9,459
Share capital, end of year	56,129,898	\$ 1,733,521

Changes in the shares issued and outstanding during the year ended December 31, 2024, are as follows:

	Number of Shares	2024 Amount
Share capital, beginning of year	47,136,625	\$ 1,252,890
Issued upon conversion of convertible debentures	1,410,231	71,564
Issued under dividend reinvestment plan	441,395	20,731
Issued under employee share purchase plan	63,372	3,117
Issued under deferred share plan	15,084	288
Issued under Indigenous community partnership agreements	9,644	400
Shares issued to Armand Duhamel & Fils Inc. vendors on closing	67,828	2,992
Shares issued to Spartan vendors on closing	458,252	25,189
Share capital, end of year	49,602,431	\$ 1,377,171

On March 27, 2025, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 4,811,929 Common Shares, representing 10% of the issued and outstanding shares at March 26, 2025. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 31, 2025 and ending on March 30, 2026. The maximum number of shares that can be purchased by the Corporation daily is limited to 26,182 shares, other than block purchase exemptions.

During the years ended December 31, 2025 and December 31, 2024, the Corporation did not make any purchases of shares under its NCIB and therefore has the full 4,811,929 shares available for repurchase.

15. 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.

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Cumulative dividends during the 2025 year and the comparative 2024 year are as follows:

Year Ended December 31	2025		2024	
Cumulative dividends, beginning of year	\$	1,000,268	\$	874,380
Dividends during the year		139,868		125,888
Cumulative dividends, end of year	\$	1,140,136	\$	1,000,268

The amounts and record dates of the dividends during the year ended December 31, 2025, and the comparative 2024 year are as follows:

Month	Record date	2025 Dividends			Record date	2024 Dividends		
		Per Share	Amount	Amount		Per Share	Amount	
January	January 31, 2025	\$ 0.22	\$ 10,983		January 31, 2024	\$ 0.22	\$ 10,380	
February	February 28, 2025	0.22	11,276		February 29, 2024	0.22	10,389	
March	March 31, 2025	0.22	11,291		March 29, 2024	0.22	10,402	
April	April 30, 2025	0.22	11,299		April 30, 2024	0.22	10,410	
May	May 30, 2025	0.22	11,312		May 31, 2024	0.22	10,419	
June	June 30, 2025	0.22	11,322		June 28, 2024	0.22	10,446	
July	July 31, 2025	0.22	11,349		July 31, 2024	0.22	10,457	
August	August 29, 2024	0.22	11,407		August 30, 2024	0.22	10,468	
September	September 29, 2025	0.22	11,943		September 27, 2024	0.22	10,478	
October	October 31, 2025	0.22	11,962		October 31, 2024	0.22	10,483	
November	November 28, 2025	0.23	12,815		November 29, 2024	0.22	10,643	
December	December 31, 2025	0.23	12,909		December 31, 2024	0.22	10,913	
Total		\$ 2.66	\$ 139,868			\$ 2.64	\$ 125,888	

After December 31, 2025, and before these consolidated financial statements were authorized, the Corporation declared a monthly dividend of \$0.23 per share for January and February 2026.

16. 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 airline operators around the world. In addition, the segment designs, modifies, maintains, and operates custom sensor-equipped aircraft. The segment'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 and engineering 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 products 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 Earnings before Depreciation, Amortization, Finance Costs, Taxes, and Other presented in the 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.

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	Year Ended December 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	\$ 2,142,202	\$ 1,135,293	\$ -	\$ 3,277,495
Expenses	1,512,380	951,310	59,433	2,523,123
Adjusted EBITDA	629,822	183,983	(59,433)	754,372
Depreciation of capital assets				310,899
Amortization of intangible assets				24,739
Finance costs - interest				121,677
Depreciation of right of use assets				49,279
Interest expense on right of use lease liabilities				9,905
Acquisition costs				9,703
Earnings before income taxes				228,170
Current income tax expense				34,065
Deferred income tax expense				26,585
Net Earnings				\$ 167,520

	Year Ended December 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	\$ 1,644,277	\$ 1,015,618	\$ -	\$ 2,659,895
Expenses	1,120,199	862,954	48,678	2,031,831
Adjusted EBITDA	524,078	152,664	(48,678)	628,064
Depreciation of capital assets				247,846
Amortization of intangible assets				22,510
Finance costs - interest				129,748
Depreciation of right of use assets				40,059
Interest expense on right of use lease liabilities				8,113
Acquisition costs				6,860
Restructuring costs				4,944
Earnings before income taxes				167,984
Current income tax expense				40,318
Deferred income tax expense				6,431
Net Earnings				\$ 121,235

	For the year ended December 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office ⁽¹⁾	Consolidated
Total assets	\$ 3,627,292	\$ 1,524,670	\$ 109,715	\$ 5,261,677
Net capital asset additions	588,811	33,613	283	622,707
Indefinite lived intangible assets (Note 11)	77,818	99,118	-	176,936
Goodwill	307,420	518,024	-	825,444

	For the year ended December 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office ⁽¹⁾	Consolidated
Total assets	\$ 2,908,643	\$ 1,623,576	\$ 66,769	\$ 4,598,988
Net capital asset additions	398,450	28,305	1,277	428,032
Indefinite lived intangible assets	68,727	100,060	-	168,787
Goodwill	290,723	536,506	-	827,229

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.

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Revenues

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

Revenue Streams	December 31 2025	December 31 2024
Aerospace & Aviation Segment		
Sale and lease of goods - point in time	\$ 539,130	\$ 382,568
Sale of services - point in time	1,449,554	1,098,150
Sale of services - over time	153,518	163,559
Manufacturing Segment		
Sale and lease of goods - point in time	434,791	270,700
Sale of services - point in time	72,851	80,363
Sale of goods and services - over time	627,651	664,555
Total revenue	\$ 3,277,495	\$ 2,659,895

The following is the geographic breakdown of revenues for the years ended December 31, 2025 and 2024, based on the location of the customer, and long-term assets as at the balance sheet dates:

Year Ended December 31	2025	2024
Canada	\$ 2,146,273	\$ 1,730,870
United States	685,854	598,902
Europe	195,899	155,322
Other	249,469	174,801
Total revenue for the year	\$ 3,277,495	\$ 2,659,895

	As at December 31, 2025				
	Other Assets	Capital Assets	Right of Use Assets	Intangible Assets	Goodwill
Canada	\$ 64,921	\$ 1,672,995	\$ 226,604	\$ 269,013	\$ 590,056
United States	43,709	128,092	18,270	79,193	235,388
Europe	-	443,591	2,526	-	-
Other	1,961	112,298	-	-	-
	\$ 110,591	\$ 2,356,976	\$ 247,400	\$ 348,206	\$ 825,444

	As at December 31, 2024				
	Other Assets	Capital Assets	Right of Use Assets	Intangible Assets	Goodwill
Canada	\$ 66,098	\$ 1,258,075	\$ 143,624	\$ 276,551	\$ 569,580
United States	64,032	147,775	22,274	88,074	257,649
Europe	-	342,215	2,713	-	-
Other	4,555	76,542	-	-	-
	\$ 134,685	\$ 1,824,607	\$ 168,611	\$ 364,625	\$ 827,229

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	December 31 2025	December 31 2024
Contract Assets		
Accounts receivable, including long-term portion	\$ 603,207	\$ 615,566
Amounts due from customers on construction contracts	53,165	59,610
Contract asset	4,750	-
Total	\$ 661,122	\$ 675,176
Current	659,654	673,860
Non-current	\$ 1,468	\$ 1,316

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Corporation receives payments from customers in line with a series of performance related milestones. The Corporation will previously have recognized a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

	December 31 2025	December 31 2024
Contract Liabilities		
Customer loyalty programs - Airlines	\$ 16,531	\$ 1,580
Deferred revenue, excluding customer loyalty programs	106,543	80,030
Amounts due to customers on construction contracts	48,217	46,632
Total	\$ 171,291	\$ 128,242
Current	171,291	128,242

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognized.

17. CONSTRUCTION CONTRACTS

Operations within the Manufacturing segment and the Aerospace & Aviation segment have long-term construction contracts where revenues are recognized over time. Under the terms of the contract, the Corporation has an enforceable right to payment for work performed. Revenue is recognized over time using an input or output based method based on which method provides a reasonable estimate of percentage completed. The input or output methods represent an appropriate measure of progress towards complete satisfaction of the performance obligation. During the year ended December 31, 2025, the Corporation recognized revenue on these types of long-term contracts totaling \$629,469 (2024 – \$682,936).

The following summarizes the costs and estimated earnings on uncompleted contracts as of December 31, 2025, and the 2024 comparative year:

As at December 31	2025	2024
Costs incurred on uncompleted contracts	\$ 848,963	\$ 737,589
Estimated earnings	263,766	215,936
	1,112,729	953,525
less: billings to date	(1,107,781)	(940,547)
Total	\$ 4,948	\$ 12,978
Amounts due from customers on construction contracts	\$ 53,165	\$ 59,610
Amounts due to customers on construction contracts	(48,217)	(46,632)
Total	\$ 4,948	\$ 12,978

18. 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 year.

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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 years ended December 31, 2025 and 2024 are as follows:

Year Ended December 31	2025	2024
Net earnings	\$ 167,520	\$ 121,235
Effect of dilutive securities		
Convertible debenture interest	10,141	10,579
Diluted Net Earnings	\$ 177,661	\$ 131,814
Basic weighted average number of shares	52,270,015	47,582,612
Effect of dilutive securities		
Deferred Shares	1,061,253	976,440
Convertible debentures	3,627,317	4,279,991
Diluted basis weighted average number of shares	56,958,585	52,839,043
Net Earnings per share:		
Basic	\$ 3.20	\$ 2.55
Diluted	\$ 3.12	\$ 2.49

19. EXPENSES BY NATURE

The following disaggregates expenses by nature for direct operating expenses, cost of goods sold, and general and administrative expenses (all excluding depreciation and amortization), which are presented in the statement of income.

	2025	2024
Salaries, wages & benefits	\$ 940,000	\$ 809,039
Aircraft and component parts	258,845	212,581
Aircraft operating expenses	444,862	266,101
Materials and installation costs	479,734	424,177
General and administrative	155,319	129,408
Building rent and maintenance	51,292	38,094
Communication and information technology	36,663	28,383
Advertising	8,502	5,758
Sub-contracting services	131,108	97,993
Other	16,798	20,297
	\$ 2,523,123	\$ 2,031,831

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20. EMPLOYEE BENEFITS

Deferred Share Plan

The number of deferred shares granted under the Deferred Share Plan was as follows:

	2025	2024
Deferred shares outstanding, beginning of year	976,440	900,576
Granted during the year	41,136	40,339
Granted through dividends declared during the year	43,677	50,609
Redeemed during the year	-	(15,084)
Deferred shares outstanding, end of year	1,061,253	976,440
Vested portion of deferred shares outstanding, end of year	1,037,064	955,345

The fair value of the deferred shares granted during the 2025 year was \$2,180 at the time of the grant (weighted average grant price of \$53.00 per share) and was based on the market price of the Corporation's shares at that time (2024 – \$1,903, weighted average grant price of \$47.18 per share). During the 2025 year, the Corporation recorded a compensation expense of \$2,071 (2024 – \$1,747) for the Deferred Share Plan within head office expenses.

Restricted Share Plan

During the year ended December 31, 2025, the Corporation granted 168,018 (2024 – 191,653) restricted shares to certain personnel. The fair value of the restricted share units granted was \$9,416 (2024 – \$8,779) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the year ended December 31, 2025, the Corporation recorded compensation expense of \$10,345 (2024 – \$8,501) 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 can 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 vesting or shares are purchased using these dividend funds.

During 2025, employees acquired 66,813 shares (2024 – 63,372 shares) from Treasury at a weighted average price of \$60.79 per share (2024 – \$49.18 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 \$1,385 (2024 – \$1,078) based on the share price and monthly dividend rate at that time.

The ESPP plan is adjusted for changes in the Corporation's share price at the period-end, any changes in the Corporation's dividend rate, and any estimated forfeitures. During 2025, the total expense recorded for the ESPP in head office expenses was \$1,769 (2024 – \$1,192). At December 31, 2025, the Corporation had \$1,037 (2024 – \$782) recorded within Accounts Payable and Accrued Expenses, representing the portion of additional shares that have vested at that date.

Pension Plan

The Corporation has pension-related costs associated with the defined contribution pension plans to which certain personnel are entitled. The Corporation's accounting policy is to expense contributions as earned during the period when the contributions become payable and are recorded within general and administrative expenses. During 2025, the Corporation recorded defined contribution pension plan costs of \$12,416 (2024 – \$8,853).

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21. CONTINGENCIES AND COMMITMENTS

The Corporation and its subsidiaries rent premises and equipment under operating lease agreements some of which fall outside the scope of IFRS 16. The minimum lease payments under these contractual obligations are as follows:

Commitments	December 31, 2025	December 31, 2024
Less than 1 year	\$ 13,751	\$ 5,595
Between 1 year and 5 years	19,850	10,401
More than 5 years	10,878	6,360
	\$ 44,479	\$ 22,356

Included in the table above are commitments to related parties in association with leased property used in the operations which are described further in Note 22.

The Corporation has letters of credit and surety bonds outstanding with varying maturities that are contingent on certain operational products and services being provided by the Corporation's subsidiaries. As of December 31, 2025, the total value of these letters of credit and surety bonds was \$417,474 (2024 - \$334,174).

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Corporation with related parties.

The Corporation leases several buildings from related parties who were vendors of businesses that the Corporation has acquired. These vendors are considered related parties because of their continued involvement in the management of those acquired businesses. These leases are recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2025 for related party leases was \$4,432 (2024 - \$4,481) and the lease term maturities range from 2026 to 2030.

Key Management Compensation

The Corporation identifies its key management personnel being those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director of the Corporation's board (whether executive or otherwise). The key management personnel include the executive management team and the Board of Directors.

Compensation expensed for key management during the 2025 year, and the comparative 2024 year is detailed in the table below. Share based compensation vests over a period of up to three years and is expensed over that period. Awards under the Restricted Share Plan are expensed over the three year vesting period and the expense recognized, ignoring the impact of the Corporation's Restricted Share Plan derivative hedge, is impacted by the change in share price of the restricted shares issued.

Year Ended December 31,	2025	2024
Salaries and short-term benefits	\$ 11,523	\$ 8,597
Share-based compensation expense	13,214	6,720
	\$ 24,737	\$ 15,317

Co-investments with CRJ Capital Corp.

CRJ Capital Corp., a corporation controlled by the CEO of Regional One, can, subject to the approval of the Corporation, co-invest with the Corporation, on a non-controlling basis, in certain aircraft assets. As a co-investor in these isolated aircraft assets, CRJ Capital Corp. receives distributions as money is collected on the sale or lease of the aircraft assets. In connection with this agreement, the CEO of Regional One has extended his non-compete agreement with the Corporation. The assets are managed by Regional One and Regional One charges a management fee to CRJ Capital Corp. for services rendered. Cash flow returns are paid out when collected from the customer and therefore there can be a delay between when income is recognized and when returns become paid or payable to CRJ Capital Corp.

During 2025, CRJ Capital Corp. invested US \$234 (2024 - US \$213). CRJ Capital Corp.'s total investment generated cash flow returns paid or payable of US \$127 (2024 - US \$1,454). As a result of the sale of certain assets, depreciation recorded on its leasing assets, and the return of initial investment to CRJ Capital Corp., the remaining assets attributable to CRJ Capital Corp. at December 31, 2025, was US \$3,431 (December 31, 2024 - US \$3,159). At December 31, 2025, US \$127 is recorded as accounts payable to CRJ Capital Corp (December 31, 2024 - US \$105 accounts receivable from CRJ Capital Corp.).

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23. 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.

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 \$1,307,243 or \$1,791,707 (2024 – US \$1,025,198 or \$1,475,157) outstanding on its credit facility. The outstanding funds in USD result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the USD portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US credit facility drawn, US \$279,043 (2024 – US \$316,498) is drawn by EIIIF USA, an entity with 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 USD functional currencies are hedged partially by US \$211,000 (2024 – US \$146,900) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary's net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the year, 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 can take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar SOFR 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 December 31, 2025, was a financial liability of \$4,346 (2024 – financial asset of \$12,374). At December 31, 2025, the notional value of the swaps outstanding is US \$817,200 (2024 – US \$561,800). Hedging gains and losses are reclassified from other comprehensive income to the consolidated statement of income to the extent effective. Accordingly, (\$4,346) was reclassified from other comprehensive income in 2025 (2024 – \$12,374). No hedge ineffectiveness was recorded during 2025 or 2024.

A \$0.01 weakening in the value of the Canadian dollar in relation to the US dollar applied to the Corporation's US financial instruments outstanding at December 31, 2025, would have a \$nil (2024 – \$nil) impact on net earnings and decrease the foreign currency translation adjustment in Other Comprehensive Income by approximately \$17,917 (2024 – \$14,752).

Interest Rate Risk

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 12) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous, including an assessment of what portion of the Corporation's overall debt level is comprised of fixed rate instruments compared to variable rate instruments.

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") and are at variable interest rates unless noted below. At December 31, 2025:

- US \$1,300,100 (December 31, 2024 – US \$1,023,050) was outstanding under SOFR;
- US \$7,143 (December 31, 2024 – US \$2,148) was outstanding under US Prime; and
- \$387,200 (December 31, 2024 – \$350,000) was outstanding under CORRA.

Based on the outstanding credit facility throughout 2025, a 1% increase in interest rates for the Corporation would decrease pre-tax net earnings by approximately \$14,708 (\$10,777 after-tax) (2024 – \$10,258 (\$7,518 after-tax)).

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.

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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 \$1,187 (December 31, 2024 – other long-term financial liability of (\$1,012)) and are recorded as a separate line within other comprehensive income.

Other Price Risk

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

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into a derivative instrument for each of the 2023, 2024 and 2025 Restricted Share Plan grants, which fixes the cost of the initial grant 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. This derivative fixes the cost to the Corporation and does not impact the variability of the award received by the participant. The derivative financial instrument hedges the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value of the Restricted Share Plan for the 2024, 2025 and 2026 programs was \$35,322. The fair value of the instruments are recorded in long-term financial asset of \$13,609 (December 31, 2024 – long-term financial asset of \$5,246) and are recorded as a separate line within other comprehensive income.

Hedging gains and losses are reclassified from other comprehensive income to the consolidated statement of income to the extent effective. Accordingly, a gain of \$11,233 was reclassified to other comprehensive income in 2025 (2024 – gain of \$4,338) which was in respect to previously recognized effective hedging instruments as they matured. No hedge ineffectiveness was recorded during 2025 or 2024.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The maximum credit exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, accounts receivable, deposits, other investments, and the counterparty's obligations under the swap. Unless otherwise specified, the Corporation does not hold any collateral from counterparties related to such financial assets.

The Corporation is exposed to credit risk arising from deposits of cash and cash equivalents with financial institutions. The Corporation maintains its cash and cash equivalents with highly rated financial institutions.

In addition, the Corporation is exposed to credit risk from its customers. While the operations primarily serve markets across North America and to a lesser extent around the world, the Corporation has a large number of customers and the customer receivables are monitored at each business entity level.

As at December 31, 2025, \$61,706 (2024 – \$90,289) of the receivables were outstanding for greater than 90 days before any consideration of allowance for doubtful accounts. Approximately \$27,852 (2024 – \$27,910) of this relates to the Manufacturing segment and \$33,854 (2024 – \$62,379) relates to the Aerospace & Aviation segment. The decrease in receivables outstanding for greater than 90 days relates to the normalization of certain government receivables in the prior period that were aged beyond our historical collection pattern. Management at each of the Corporation's subsidiaries monitor accounts receivables overdue amounts and respond accordingly. The Corporation's subsidiaries maintain an allowance for doubtful accounts and review the allowance on a monthly basis.

The Corporation has credit risk exposure on the amounts advanced under any promissory note or loan arrangement. This includes the items within Other Assets on the Corporation's consolidated statement of financial position, in particular, the lessor arrangements of Regional One where long-term receivables are recognized with aviation companies in finance lease arrangements. The security the Corporation has from these arrangements is considered adequate to cover the carrying value of these items.

Liquidity Risk

Liquidity risk is the risk that the Corporation is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Corporation's growth is financed through a combination of the cash flows from operations, borrowings under existing credit facilities, and the issuance of either or a combination of debt and equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows. Due to the nature of the business, the Corporation aims to maintain flexibility in funding

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by maintaining committed and available credit facilities. During the year, the Corporation amended its credit facility as discussed in Note 12.

The Corporation's financial liabilities and related capital amounts have contractual maturities which are summarized below into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the following table are the contractual undiscounted cash flows:

	Total	Less than 1 year	Between 1 year and 5 years	More than 5 years
Accounts payable and accrued expenses	\$ 577,091	\$ 577,091	\$ -	\$ -
Long-term debt (principal value)	2,178,907	-	2,178,907	-
Contractual interest ⁽¹⁾	395,560	97,920	297,640	-
Total	\$ 3,151,558	\$ 675,011	\$ 2,476,547	\$ -

Note 1) The contractual interest reflects the assumption that amounts outstanding and floating interest rates at December 31, 2025, will remain at current levels until maturity.

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:

	Carrying Value December 31, 2025	Fair Value		
		Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Recurring fair value measurements				
Financial Assets				
Other long-term assets - Restricted Share Plan Hedge - Financial asset at fair value through profit and loss (Note 8)	\$ 13,609	\$ -	\$ 13,609	\$ -
Other long-term assets - Fair value through OCI (Note 8)	8,043	-	-	8,043
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(14,146)	-	-	(14,146)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(4,346)	-	(4,346)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(1,187)	-	(1,187)	-
Fair Value Disclosures				
Other assets - Amortized cost	8,708	-	3,708	5,000
Long-term debt - Amortized cost	(2,174,685)	-	-	(2,178,907)

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	Carrying Value December 31, 2024	Fair Value		
		Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Recurring fair value measurements				
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss (Note 2)	\$ 12,374	\$ -	\$ 12,374	\$ -
Other long-term assets - Restricted Share Plan Hedge - Financial asset at fair value through profit and loss (Note 8)	5,246	-	5,246	-
Other long-term assets - Fair value through OCI (Note 8)	6,830	-	-	6,830
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(17,729)	-	-	(17,729)
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(1,012)	-	(1,012)	-
Fair Value Disclosures				
Other assets - Amortized cost	4,654	-	4,654	-
Long-term debt - Amortized cost	(1,821,866)	-	-	(1,825,157)
Convertible debt - Amortized cost	(330,390)	(344,689)	-	-

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 BVGlazing, DryAir, Duhamel, Spartan, Newfoundland Helicopters and Canadian North including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary	December 31	
	2025	2024
For the years ended		
Opening balance	\$ 17,729	\$ 10,384
Accretion	402	95
Change in estimate	-	(314)
Acquisition of Duhamel	-	2,381
Acquisition of Spartan	-	11,173
Acquisition of Newfoundland Helicopters	-	-
Acquisition of Canadian North	8,275	-
Settled during the period	(11,452)	(5,990)
Foreign exchange (gain) and other	(808)	-
Ending balance	\$ 14,146	\$ 17,729

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 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.

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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 December 31, 2025, 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 4.5%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's credit-worthiness.

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.

24. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital are as follows:

Year Ended December 31	2025	2024
Accounts receivable, including long-term portion	\$ 69,797	\$ (38,518)
Amounts due from customers on construction contracts	4,827	(18,648)
Inventories	(12,931)	(46,901)
Prepaid expenses and deposits, including long-term portion	(14,638)	28,751
Accounts payable and accrued expenses, including long-term portion	22,707	(21,559)
Income taxes receivable/payable	(9,221)	1,250
Deferred revenue, including long-term portion	2,652	10,174
Amounts due to customers on construction contracts	2,366	3,664
Net change in working capital	\$ 65,559	\$ (81,787)

25. CAPITAL MANAGEMENT

The Corporation manages its capital to utilize prudent levels of debt. The Corporation's goal is to maintain its total leverage within a range of 2.5 – 3.5 times funded total debt to Earnings before Depreciation, Amortization, Finance Costs, Taxes, and Other, normalized for the full year contribution of in-year acquisitions in accordance with the terms of its credit facility.

The Corporation's objective in managing capital is to:

- ensure flexibility in the capital structure to fund the operations, distributions to shareholders, capital investments and to support the external growth strategy;
- maintain adequate liquidity at all times; and
- maintain a diversified capital structure.

The Corporation actively manages and monitors the capital structure and makes adjustments based on the objectives described above in response to changes in economic conditions and the risk characteristics of the underlying assets.

The following is considered by the Corporation as capital and may not be comparable to measures presented by other public companies:

	December 31 2025	December 31 2024
Total senior debt outstanding (principal value)	\$ 2,178,907	\$ 1,825,157
Convertible debentures outstanding (par value)	-	344,689
Common shares	1,733,521	1,377,171
Total capital	\$ 3,912,428	\$ 3,547,017

There are certain requirements of the Corporation's credit facility that include financial covenants and ratios, including leverage ratios that assess the funded senior debt to adjusted earnings before interest, income tax expense, depreciation, amortization, acquisition costs, and

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other ("Adjusted EBITDA") ratio. Management considers these requirements in the decisions made in managing the level and make-up of the Corporation's capital structure. The Corporation has been in compliance with all of the financial covenants during the 2025 year.

As at December 31, 2025, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, calculated under the terms of the credit facility. The Corporation's credit facility allows for a maximum senior leverage ratio of 4.0x, and at December 31, 2025, the Corporation's current senior leverage ratio is 2.73x.

Changes in the capital of the Corporation during the year ended December 31, 2025, are mainly attributed to the following events that occurred during the year. During the current year, the Corporation issued shares and used its credit facility to fund the acquisitions of Newfoundland Helicopters and Canadian North, capital asset purchases throughout the year and the early redemption of several convertible debenture issues. On February 13, 2025, the Corporation used its credit facility to redeem the remaining \$7,574 principal value on its 7 year, 5.75% convertible debentures after debenture holders previously converted \$78,383 par value into common shares of the Corporation. On September 29, 2025, the Corporation used its credit facility to redeem the remaining \$7,803 principal value on its 7 year 5.25% convertible debentures after debenture holders previously converted \$135,929 par value into common shares of the Corporation. On December 2, 2025, the Corporation used its credit facility to redeem the remaining \$8,787 principal value on its 7 year 5.25% convertible debentures after debenture holders previously converted \$106,213 par value into common shares of the Corporation. Finally, the Corporation issued shares under its Dividend Reinvestment Plan during the year.

26. INCOME TAX

Reconciliation of Effective Tax Rate

The tax on the Corporation's profit before tax differs from the amount that would arise by applying the statutory income tax rate to pre-tax earnings of the consolidated entities as follows:

	2025	2024
Earnings before income taxes	\$ 228,170	\$ 167,984
Combined Canadian federal and provincial tax rates	26.5%	26.5%
Income tax expense at statutory rates	60,465	44,516
Increase (decrease) in taxes resulting from:		
Permanent differences	4,454	2,367
Realized capital gains	(354)	(213)
Impact of foreign jurisdiction differences	(2,746)	605
Amounts in respect of prior periods	(1,176)	(626)
Other	7	100
Provision for income taxes	\$ 60,650	\$ 46,749

Unrecognized Deferred Tax Liabilities

At December 31, 2025, no deferred tax liability for temporary differences related to investments in subsidiaries was recognized because the Corporation controls the timing and reversal of the differences and such differences will not reverse in the foreseeable future. The temporary differences associated with the Corporation's foreign subsidiaries are approximately \$268,752 (2024 - \$202,026).

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Movement in Deferred Tax Balances during the Year

The movement in the net deferred income tax balances during the 2025 year and the 2024 comparative year are as follows:

	December 31, 2024	Business Acquisitions	Credited / (charged) through statement of income	Credited / (charged) to other comprehensive income	Credited / (charged) through equity	December 31, 2025
Deferred income tax assets						
Accruals - deductible when paid	\$ 4,634	\$ 1,386	\$ 348	\$ (115)	\$ (526)	\$ 5,727
Financing costs	945	-	(1,196)	-	1,468	1,217
ROU lease liabilities	48,247	23,913	(3,064)	(264)	-	68,832
Capital and non-capital loss carryforwards	46,732	278	11,573	(579)	-	58,004
Non-deductible reserves	6,138	12,734	(13,406)	(675)	543	5,334
Tax credits and other	1,370	-	(140)	30	-	1,260
Total deferred income tax asset	\$ 108,066	\$ 38,311	\$ (5,885)	\$ (1,603)	\$ 1,485	\$ 140,374
Deferred income tax liability						
Capital assets	\$ (195,516)	\$ (41,222)	\$ (21,621)	\$ 1,112	\$ 3,904	\$ (253,343)
ROU assets	(45,183)	(23,913)	2,904	221	-	(65,971)
Intangible assets	(85,592)	(2,730)	(2,428)	1,289	4,704	(84,757)
Convertible debentures	(1,920)	-	432	-	1,488	-
Amounts recognized in OCI	(1,122)	-	(1,456)	(713)	-	(3,291)
Investments	(7,198)	-	1,509	220	-	(5,469)
Total deferred income tax liability	(336,531)	(67,865)	(20,660)	2,129	10,096	(412,831)
Net	\$ (228,465)	\$ (29,554)	\$ (26,545)	\$ 526	\$ 11,581	\$ (272,457)

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	December 31, 2023	Business Acquisitions	Credited / (charged) through statement of income	Credited / (charged) to other comprehensive income	Credited / (charged) through equity	December 31, 2024
Deferred income tax assets						
Accruals - deductible when paid	\$ 7,344	\$ 512	\$ (3,408)	\$ 186	\$ -	\$ 4,634
Financing costs	1,836	-	(1,048)	-	157	945
ROU lease liabilities	48,187	645	(1,119)	534	-	48,247
Capital and non-capital loss carryforwards	34,811	-	10,637	1,284	-	46,732
Non-deductible reserves	2,249	490	2,247	1,152	-	6,138
Tax credits and other	1,226	-	123	21	-	1,370
Total deferred income tax asset	\$ 95,653	\$ 1,647	\$ 7,432	\$ 3,177	\$ 157	\$ 108,066
Deferred income tax liability						
Capital assets	\$ (173,500)	\$ (4,453)	\$ (15,756)	\$ (1,807)	\$ -	\$ (195,516)
ROU assets	(45,506)	(645)	1,427	(459)	-	(45,183)
Intangible assets	(76,624)	(6,138)	(635)	(2,195)	-	(85,592)
Convertible debentures	(2,837)	-	794	-	123	(1,920)
Amounts recognized in OCI	(1,820)	-	(508)	1,206	-	(1,122)
Investments	(7,750)	-	899	(347)	-	(7,198)
Total deferred income tax liability	(308,037)	(11,236)	(13,779)	(3,602)	123	(336,531)
Net	\$ (212,384)	\$ (9,589)	\$ (6,347)	\$ (425)	\$ 280	\$ (228,465)

Income taxes credited (charged) through the Statement of Income includes investment tax credits of \$40 (2024 - \$84) that were classified as reductions of the related expenditures incurred.

Deferred income tax assets and liabilities are offset on the balance sheet when they relate to income taxes levied by the same taxation authority.

	December 31 2025	December 31 2024
Deferred tax liabilities	\$ (272,457)	\$ (228,465)
	\$ (272,457)	\$ (228,465)

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27. SUBSEQUENT EVENTS

Credit Facility Upsize and Extension

On January 26, 2026, subsequent to the end of the year, the Corporation amended its credit facility. The size of the new credit facility increased to \$3.5 billion and was extended to January 26, 2030, with no change in pricing, including moving from a secured facility to an unsecured facility.

Acquisition of MnM Aircraft Component Holdings Inc.

On January 31, 2026, subsequent to the end of the year, the Corporation acquired MnM Aircraft Component Holdings, Inc (“Mach2”) for a purchase price of US \$43 million, including purchase price consideration of US \$9 million in EIC common shares, subject to customary post closing adjustments. Located in Pompano Beach Florida, Mach2 participates in the commercial segment of the global used serviceable material market.

Investment Grade Credit Rating

On February 18, 2026, subsequent to the end of the year, the Corporation announced it had received an investment grade corporate credit rating from DBRS. The rating ascribed to the Corporation is BBB (low) with a stable outlook.