Exchange
Income
Corporation

First Quarter Report

For the three months ended

March 31, 2025

CEO's Message

The first quarter of 2025 illustrated the resiliency, stability and strength of the EIC business model and its foundational tenets of discipline and diversity. The external news and events were dominated by discussions of uncertainty relating to the recently completed Canadian election and resulting from rapidly changing foreign policy from Canada's largest economic partner, the United States. These economic and geopolitical conditions have triggered significant volatility in the financial markets throughout the quarter and extended through to the date of this report. However, throughout this chaos, EIC continued to generate revenues and Adjusted EBITDA consistent with our expectations. We continue to set records in our key financial metrics, while all of this ambiguity existed in the wider market. We are extremely confident in our business model and in the companies that we have purchased over our 20-year history. Each of the companies operates in their specific niche and each has distinctive competitive advantages which allows for stability and resiliency in times of volatility. The diversity of our business lines means that our shareholders and prospective investors can have confidence in our ability to generate the free cash flows that underly our dividend. When meeting with current and prospective investors, I continue to emphasize the consistency in our track record over the past 20-years and how the Company navigated through various times of market uncertainty, whether it be the financial crisis in 2008 and 2009 or more recently the pandemic. EIC has been, and will continue to be, a beacon of resiliency and stability in these times.

Our first quarter Management Discussion and Analysis has been slightly modified based on feedback from some of our most significant shareholders and prospective investors. Our narrative explanation of how our Company performed for the quarter is focused on the operating segments and supplemented by directional descriptions from a business line perspective. The goal was to provide a concise view of the Corporation from management's perspective as the diversification of our business model results in relatively consistent and stable results by our operating segments.

Highlights from EIC's 2025 First Quarter Financial Performance

- Record first quarter Revenue of $668 million, an increase of $67 million or 11%.
- Adjusted EBITDA of $130 million, representing growth of $19 million over the prior period or 17% and setting another first quarter benchmark for the Corporation.
- Free Cash Flow first quarter record of $81 million representing growth of 32% compared to the prior period of $62 million.
- Net Earnings of $7 million compared to the prior period of $5 million and Net Earnings per share of $0.14 compared to the prior period of $0.10.
- Record Adjusted Net Earnings of $14 million compared to the prior period of $10 million and Adjusted Net Earnings per share of $0.28 compared to the prior year of $0.20.
- Free Cash flow less Maintenance Capital Expenditures of $26 million compared to $23 million in the prior period, another first quarter record.
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio was 63% compared to the prior period of 58%.
- Announced a binding purchase agreement to acquire Canadian North and are continuing to work through the regulatory approval process.
- Completed the call, conversion and settlement of the 7 year, 5.75% convertible debentures which were due on March 31, 2026.
- Subsequent to the end of the period, completed an extension and upsize to the Corporation's credit facility to $3 billion with consistent pricing and terms compared to our prior credit facility.
- Subsequent to the end of the period, completed the tuck-in acquisition of Newfoundland Helicopters Ltd.

Revenue generated by the Aerospace & Aviation segment increased by $14 million or 4% to $382 million and Adjusted EBITDA increased by $8 million or 8% to $102 million over the comparative period. The significant drivers of the revenue and profitability increases relate to previous Growth Capital Expenditures related to additional routes, improved load factors and our previously announced medevac contracts in our Essential Air Services business line, increased tempo of flying on owned ISR aircraft, and continued step-based improvements in our Aircraft Sales & Leasing business line as aircraft and engine leasing continues to strengthen. These impacts were partially offset by changes in sales mix within the Aerospace business line due to changes in project scope and the anticipated wind down of existing training programs prior to the start of new programs.

Manufacturing segment revenue increased by $53 million or 23% to $286 million for the quarter and Adjusted EBITDA increased by $14 million or 50% to $41 million. The significant drivers in the strong revenue and profitability results relate to the acquisitions of Spartan and Duhamel made in 2024, strengthening mat rentals within the Environmental Access Solutions business line, and volume increases driven by customer demand in our Precision Manufacturing & Engineering business line. Partially offsetting these factors were anticipated decreases in revenue and profitability due to project delays, integration activities and gaps in project manufacturing and installation in our Multi-Storey Window Solutions business line.

We are very pleased with these record results, and it sets the foundation for the remainder of the fiscal year. The results demonstrate the importance of our diversified model as our Aerospace & Aviation operating segment posted record first quarter financial metrics and our Manufacturing operating segment continued its improvement over the prior year driven by strong underlying performance meeting or exceeding expectations within our various Manufacturing business lines. Our business lines are complementary to one another and provide consistency and stability. This consistency has become a hallmark of EIC and has allowed us to provide a consistent and dependable dividend to our shareholders.

While we have reported record results for the first quarter we are not resting on our laurels. Our future continues to be very bright, however, like all companies we have had to actively manage our businesses through this uncertain operating environment. Our management teams are diligently monitoring changes in trade policy, and we are mitigating any potential risks while also uncovering various opportunities for profitability expansion and growth. We do not anticipate any significant direct negative effects from the currently announced tariffs, and I am very proud of how our management teams came together to identify and solve emerging risks throughout the quarter. This collective culture of navigating uncertainty is a hallmark of EIC and demonstrates the culture that thrives within each of our companies. The management teams remain highly entrepreneurial, and everyone rolls-up their sleeves to work towards a common goal. That collective mentality has resulted in the financial results posted in the first quarter but will be even more evident as we navigate throughout 2025 and beyond.

Looking forward

Our first quarter results show the strength and resiliency of our business model. That being said, the opportunities before us provide even more excitement for the future of EIC.

During the second quarter we anticipate finalizing the modifications to our second aircraft for deployment under the UK Home Office contract in the latter part of the year. We are continuing to see inquiries from governments around the world regarding our world-class ISR capabilities. We also anticipate receiving an update on the Australia Department of Home Affairs Aerial Surveillance Services contract during the second quarter reporting period. Australia has recently completed their election, and we believe we have a compelling solution to the request for proposal. The Australia contract, which has an initial term of 15 years, would be one of the largest surveillance contracts around the world. Demand remains strong for our Essential Air Services business line's scheduled, charter, cargo and medevac services in the geographies it serves. We are very excited for Canadian North and its employees to join the EIC family once we receive the requisite regulatory approvals. We have become synonymous with Northern Aviation and believe that Canadian North will be a complementary, strategic fit with our existing operations due to the fact that there is essentially no overlap in the markets served. We anticipate the finalization of our contract with the government of Newfoundland & Labrador for rotary and fixed wing medevac services in the second quarter and have already started interim rotary wing medevac operations to support the government beginning in the second quarter. Our Aircraft Sales & Leasing business line continues to experience improvements in the deployment of its aircraft and engines to operators around the globe. The aircraft, engine and parts demand continue to be robust and management is continuing to identify aircraft acquisition opportunities to both grow our leased fleet and provide future part-out opportunities to serve the market demand.

We are also experiencing strong growth in our Environmental Access Solutions business line with our full service offering as we reap the benefits of Canada's further investment in transmission and distribution, pipeline and oil and gas sectors. Our recent acquisition of Spartan has exceeded our initial acquisition expectations, and we see strong growth prospects for the business based on customer feedback on its new System7-XT composite mat coupled with expanded market interest in composite matting solutions throughout the United States. When we acquired Spartan, we signaled to the market that we likely would shut down the plant for a short period to modify the plant to allow for future expansion, however due to strong demand for the System7-XT mat coupled with increased adoption of composite matting solutions compared to traditional wooden mats in various industries and geographies we have had to change our strategy to meet current customer demands. We are indefinitely postponing the shutdown and are actively investigating building a second plant based on long-term fundamentals, to meet our customers' demands. Our Precision Manufacturing & Engineering business line experienced strong growth based on the diversified businesses included therein coupled with favorable sector exposures including defence, technology, communications and data center infrastructure. Our Multi-Storey Windows Solutions business line continues to experience significant inquiries, and the medium-term and longer-term demand fundamentals based on affordable housing shortages are expected to continue to drive demand across North America.

Thank you to our shareholders, our employees, our customers and the communities we serve. We look forward to seeing many of you at our Annual General Meeting on May 13, 2025.

Mike Pyle

Chief Executive Officer

May 12, 2025

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PREFACE

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 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 unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2025, and in conjunction with the MD&A and audited consolidated financial statements and related notes for the year ended December 31, 2024. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 and the trust indentures; dividends; unpredictability and volatility of prices of securities; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest. A further discussion of these risks is included in *Section 11 – Risk Factors*. 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.

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 2024 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, 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 36% of the Corporation's consolidated revenues in fiscal 2024. Items impacting margins within this business are fuel prices, load factors, weather, and, in the current operating environment, the ability to source a full complement of pilots and aircraft mechanics. Labour costs in these areas have increased well above the rate of inflation and in certain circumstances cannot be immediately flowed through to the customer.

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

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

Aerospace accounted for approximately 11% of the Corporation's consolidated revenues in fiscal 2024. 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 13% of the Corporation's consolidated revenues in fiscal 2024. The most significant item impacting margins in this line of business is sales mix. Leasing contributes very high margins and therefore variability in leasing revenue has the largest impact on margins. Within this business line, parts revenue is the most predictable and stable from both sales and margin perspectives; whereas the sale of aircraft and engines varies on a period to period basis, both in volume and in price, but are generally higher dollar and lower margin transactions.

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

Manufacturing Segment

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

Environmental Access Solutions 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 where the composite mats outperform wood mats.

Environmental Access Solutions accounted for approximately 10% of the Corporation's consolidated revenues in fiscal 2024. Rentals generate higher margins than other lines of business within Environmental Access Solutions. Rental activity is influenced by several factors, such as the supply of mats in the marketplace, the availability and pricing of timber used in mat production, and weather conditions, including the amount of precipitation and temperature. In addition to rentals, the sale of mats and the overall sales mix in a given period can also have a significant impact on margins. These mat sale transactions are generally higher dollar value and lower margin when compared to rental revenue.

Environmental Access Solutions includes the operations of Northern Mat and Bridge LP, Spartan Mat Inc. 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 17% of the Corporation's consolidated revenues in fiscal 2024. 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 13% of the Corporation's consolidated revenues in fiscal 2024. Margins in this line of business are typically stable. While there may be margin pressure in times of rapid escalation of prices of raw materials, generally our subsidiaries have the ability to pass on these costs to customers over time due to the specialty nature of the products that are being provided.

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

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

1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

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

FINANCIAL PERFORMANCE	2025	per share basic	per share diluted	2024	per share basic	per share diluted
For the three months ended March 31						
Revenue	**$ 668,276**			$ 601,769		
Adjusted EBITDA[(1)]	**130,136**			111,051		
Net Earnings	**7,207**	**$ 0.14**	**$ 0.14**	4,528	$ 0.10	$ 0.09
Adjusted Net Earnings[(1)]	**14,295**	**0.28**	**0.28**	9,574	0.20	0.20
Free Cash Flow[(1)]	**81,484**	**1.61**	**1.47**	61,931	1.31	1.19
Free Cash Flow less Maintenance Capital Expenditures[(1)]	**25,500**	**0.50**	**0.49**	22,593	0.48	0.47
Dividends declared	**33,550**	**0.66**		31,171	0.66	
For the Trailing Twelve months as at March 31						
Adjusted Net Earnings payout ratio[(1)]		**84%**			84%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio[(1)]		**63%**			58%	
FINANCIAL POSITION	**March 31, 2025**			December 31, 2024		
Working capital	**$ 619,336**			$ 628,431		
Capital assets	**1,873,295**			1,824,607		
Total assets	**4,608,576**			4,598,988		
Long-term debt	**1,858,654**			1,821,866		
Equity	**1,463,239**			1,409,669		
SHARE INFORMATION	**March 31, 2025**			December 31, 2024		
Common shares outstanding	**51,323,387**			49,602,431		
	March 31, 2025			March 31, 2024		
Weighted average shares outstanding during the period - basic	**50,593,124**			47,206,228		

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

SIGNIFICANT EVENTS

Early Redemption of Convertible Debentures

On February 13, 2025, the Corporation redeemed its 7 year, 5.75% convertible debentures which were due on 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.

Interim Rotary Wing Medevac Contract

The Corporation has recently been awarded a contract to provide a medevac helicopter to the Government of Newfoundland and Labrador for an interim period of six to twelve months beginning during the second quarter of 2025 while the new, full contract is being finalized.

Binding Purchase Agreement to Acquire 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 adjustments. The purchase price will be funded by cash in the amount of $195 million from the Corporation's credit facility and $10 million of EIC common shares issued to the vendors. Canadian North provides essential passenger and cargo services, using a combination of leased and owned 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 the premier 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 is subject to obtaining required regulatory approvals and other customary closing conditions and is expected to occur later this year.

Normal Course Issuer Bid ("NCIB")

On March 27, 2025, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 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.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 31, 2025, and ending on March 30, 2026. The Corporation can purchase a maximum $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $26, and $25, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

SUBSEQUENT EVENTS

Credit Facility Upsize and Extension

On April 28, 2025, the Corporation amended its credit facility. 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 EIIF 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 announced the acquisition of Newfoundland Helicopters 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's customer relationships, provides a compelling opportunity for growth and increased customer service in the region for our rotary wing business.

2. RESULTS OF OPERATIONS

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

	Three Months Ended March 31, 2025			
	Aerospace & Aviation	**Manufacturing**	**Head Office (2)**	**Consolidated**
Revenue	**$ 381,957**	**$ 286,319**	**$ -**	**$ 668,276**
Expenses (1)	**280,110**	**245,759**	**12,271**	**538,140**
Adjusted EBITDA	**101,847**	**40,560**	**(12,271)**	**130,136**
Depreciation of capital assets				**66,720**
Amortization of intangible assets				**6,191**
Finance costs – interest				**30,636**
Depreciation of right of use assets				**10,409**
Interest expense on right of use lease liabilities				**2,063**
Acquisition costs				**2,674**
Earnings before income taxes				**11,443**
Current income tax expense				**7,360**
Deferred income tax recovery				**(3,124)**
Net Earnings				**$ 7,207**
Net Earnings per share (basic)				**$ 0.14**
Adjusted Net Earnings				**$ 14,295**
Adjusted Net Earnings per share (basic)				**$ 0.28**

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

Note 1) Expenses include aerospace & aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization), and general and administrative expenses.

Note 2) Head Office is not a separate reportable segment. It includes expenses incurred at the head office of the Corporation and is presented for reconciliation purposes.

REVENUE AND ADJUSTED EBITDA *(Section 12 – Non-IFRS Financial Measures and Glossary)*

The Corporation's first quarter is the most seasonally challenging as demand within Essential Air Services and Environmental Access Solutions are seasonally slowest in the first quarter. Within Essential Air Services, winter roads into Northern communities lessen demand.

Within Environmental Access Solutions, colder weather reduces demand for access solutions due to lower potential risk of environmental impact when the ground is frozen. The colder weather also generally results in a seasonal slowdown in large infrastructure projects across North America, impacting certain of the Corporation's Manufacturing segment subsidiaries.

On a consolidated basis, the Corporation generated revenue of $668 million, an increase of $67 million or 11% over the prior period. This growth was driven by increases in both segments, with the Aerospace & Aviation segment increasing $14 million and the Manufacturing segment increasing $53 million.

Adjusted EBITDA of $130 million was generated by the Corporation during the period, an increase of $19 million or 17% over the prior period. The increase was attributable to both segments, with the Aerospace & Aviation segment increasing $8 million and the Manufacturing segment increasing $14 million over the prior period, partially offset by an increase in Head Office costs compared to the prior period. Head office costs increased primarily due to increased investments in cybersecurity, increased personnel costs, and an increase in professional service fees.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $14 million or 4% to $382 million.

Revenue within Essential Air Services increased over the prior period. The increase is primarily attributable to medevac operations driven by improved yields and the enhanced scope in multiple markets. Higher average load factors within our scheduled service operations as well as increases within rotary wing medevac operations further contributed to the increase over the prior period. The expanded volumes on routes flown on behalf of Air Canada using additional aircraft deployed during the second quarter of 2024 contributed to the increase in scheduled service, with no comparative in the prior period.

Revenue within Aircraft Sales & Leasing increased over the prior period. The increase is attributable to both a continued improvement in leasing activity during the period and an increase in parts demand. The increase attributed to leasing activities and parts demand more than offset a decrease in large asset sales from the prior period. Large asset sales, which are generally higher dollar transactions can fluctuate quarter to quarter.

Revenue within Aerospace decreased from the prior period. The decrease is attributed to a reduction in revenue in our training business as the planned wind down of existing programs occurred prior to the start of new programs and the impact of a change in scope on one of its support contracts. In particular, the support contract has 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 by $8 million or 8% to $102 million.

Adjusted EBITDA within Essential Air Services increased over the prior period. The increases in revenue discussed above contributed to the increases in Adjusted EBITDA. Investments made previously in our fleets of fixed wing aircraft are now producing returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased over the prior period, primarily attributed to an increase in leasing activity during the period. Margins within this revenue stream are higher than other revenue streams as the capital cost associated with leasing is represented through depreciation, having an outsized impact on Adjusted EBITDA compared to revenue.

Adjusted EBITDA within Aerospace decreased from the prior period. The decrease is attributable to the factors discussed in the revenue section above.

Manufacturing Segment

Revenue generated by the Manufacturing segment increased by $53 million or 23% to $286 million.

Revenue within Environmental Access Solutions increased over the prior period. The Corporation acquired Duhamel on June 21, 2024 and Spartan on November 13, 2024, both of which contributed to the increase in revenue with no comparative in the prior period. The Corporation experienced significant demand for composite matting solutions within the US market during the period, contributing to an increase in revenue that exceeded expectations.

Revenue within Multi-Storey Window Solutions decreased from the prior period. The business line continues to manage through project delays and inefficiencies caused by those delays. While the recent declines in benchmark borrowing rates have been positive for our order book, the long lead time between order and build means those positive developments have not yet begun to impact our financial results. The increases in our orderbook generally take between 18 and 24 months before revenue is recorded. The backlog is essentially unchanged over the last quarter and the long term demand remains strong based on fundamentals, including a shortage of affordable housing.

Revenue within Precision Manufacturing & Engineering increased over the prior period. The increase is driven primarily by two factors. First, the business line experienced increases in volumes as delayed large capital projects from the latter part of 2024 started to come to fruition in the current period, in particular, for wireless and wireline construction services. Second, several core customers across multiple subsidiaries experienced volume increases which contributed to the increase in revenue.

In the Manufacturing segment, Adjusted EBITDA increased by $14 million or 50% to $41 million.

Adjusted EBITDA within Environmental Access Solutions increased over the prior period. The acquisition of Spartan and its addition of composite mats to the segment positively impacted Adjusted EBITDA and margins during the period. The plant is running at full capacity, and when combined with lower than expected resin prices, which is a key raw material input, margins were materially better than expected. In response to exceptional customer demand, the anticipated plant shutdown was delayed. Increased mats on rent in the Canadian operations also contributed to improved margins as the prior period included a greater proportion of used mat sales, which tend to generate lower margins.

Adjusted EBITDA within Multi-Storey Window Solutions decreased from the prior period. The decrease is attributed to the project delays discussed above along with the strategic decision to retain experienced staff to allow us to meet increased demand in the future as projects that are currently on hold are awarded. 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 in Precision Manufacturing & Engineering increased over the prior period. The increase is attributed to a change in product mix between entities as well as the volume increases discussed above.

NET EARNINGS

Three Months Ended March 31,		2025		2024
Net Earnings	**$**	**7,207**	$	4,528
Net Earnings per share	**$**	**0.14**	$	0.10

Net Earnings was $7 million, an increase of $3 million 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. This increase was partially offset by several factors. First, depreciation on capital assets increased $11 million over the prior period due to the acquisition activity and investment in Growth Capital Expenditures. Second, acquisition costs increased $1 million over the prior period, driven by the announced binding purchase agreement for Canadian North. The complexity of the transaction, including required regulatory approvals is resulting in higher than normal costs for an acquisition of this size. Third, interest costs increased over the prior period by $1 million due to an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. Finally, an increase in amortization of intangible assets of $1 million from the Corporation's 2024 acquisition activity decreased Net Earnings.

Income tax expense increased over the prior period and the Corporation's effective tax rate decreased to 37% from 39%. In the prior period, the Corporation generated a greater portion of pre-tax earnings in higher tax jurisdictions than in the current period. Current tax expense was lower than the prior period due to higher pre-tax earnings in lower tax rate jurisdictions, increased depreciation for tax purposes in Canada and the US, and a reduced impact in the period from interest limitation legislation in the US.

Net Earnings per share increased by 40% over the prior period to $0.14. The increase in Net Earnings was partially offset by an increase in the weighted average number of shares, which increased by 7%. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

Three Months Ended March 31,		2025		2024
Net Earnings	**$**	**7,207**	$	4,528
Acquisition costs (net of tax $226 and $359) (1)		**2,448**		946
Amortization of intangible assets (net of tax $1,641 and $1,478)		**4,550**		4,100
Accelerated interest accretion on redeemed debentures (net of tax of $33 and nil)		**90**		-
Adjusted Net Earnings	**$**	**14,295**	$	9,574
per share – Basic	**$**	**0.28**	$	0.20
per share – Diluted	**$**	**0.28**	$	0.20

Note 1) The tax deductibility of Acquisition Costs is dependent on the nature of the expense and the jurisdiction in which they are incurred.

Adjusted Net Earnings was $14 million, an increase of $5 million 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, and accelerated interest accretion on redeemed debentures of less than $1 million, net of tax. Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Adjusted Net Earnings per share increased 40% over the prior period to $0.28. The increase in Adjusted Net Earnings was partially offset by an increase in the weighted average number of shares which increased by 7%. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

Three Months Ended March 31,		**2025**		2024
Cash flows from operations	**$**	**89,383**	$	50,977
Change in non-cash working capital		**(115)**		19,085
Acquisition costs (net of tax $226 and $359) [1]		**2,448**		946
Principal payments on right of use lease liabilities		**(10,232)**		(9,077)
	$	**81,484**	$	61,931
per share – Basic	**$**	**1.61**	$	1.31
per share – Diluted	**$**	**1.47**	$	1.19

Note 1) The tax deductibility of Acquisition Costs is dependent on the nature of the expense and the jurisdiction in which they are incurred.

The Free Cash Flow generated by the Corporation during the period was $81 million, an increase of $20 million, or 32% over the prior period. The increase is primarily attributable to the increase in Adjusted EBITDA and a decrease in current taxes, partially offset by an increase in cash interest and principal payments on right of use assets. Free Cash Flow is discussed further in Section 12 – Non-IFRS Financial Measures and Glossary.

Free Cash Flow per share increased by 23% over the prior period to $1.61. The increase in Free Cash Flow was partially offset by an increase in the weighted average number of shares which increased by 7%. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

3. INVESTING ACTIVITIES

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

CAPITAL EXPENDITURES *(Section 12 – Non-IFRS Financial Measures and Glossary)*

	Three Months Ended March 31, 2025							
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	**$**	**48,877**	**$**	**6,925**	**$**	**182**	**$**	**55,984**
Growth Capital Expenditures		**54,518**		**1,600**		**-**		**56,118**
	$	**103,395**	**$**	**8,525**	**$**	**182**	**$**	**112,102**

	Three Months Ended March 31, 2024							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	34,590	$	4,565	$	183	$	39,338
Growth Capital Expenditures		45,145		(5,819)		-		39,326
	$	79,735	$	(1,254)	$	183	$	78,664

Maintenance Capital Expenditures for the period ended March 31, 2025, increased by $17 million or 42% over the prior period. The increase in the Aerospace & Aviation segment was $14 million and the increase in the Manufacturing segment was $3 million. 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 operations ("MRO") availability, such seasonality may vary year to year. Maintenance Capital Expenditures in the prior period were abnormally low due to the timing of certain engine events. Maintenance Capital Expenditures during the current period were below expectations but align more closely with expected seasonality. With a larger fleet, we are more easily able to share aircraft across our organization if maintenance events occur during an operationally busier time of year. As the size of our fleet has increased, maintenance schedules have become more equally distributed throughout the entire year than we would have experienced historically. Maintenance Capital Expenditures for the Manufacturing segment can vary from period to period due to the capital required to maintain production equipment, with the exception of Maintenance Capital Expenditures for the Environmental Access Solutions rental portfolio, which is calculated using depreciation as a proxy.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for Essential Air Services increased over the prior period. Parts inflation and increased labour rates have resulted in increased Maintenance Capital Expenditures over the prior period. In addition, as the Corporation has invested to meet increased demand over the last number of years, our fleet size has increased, necessitating additional Maintenance Capital Expenditures. Overall, Maintenance Capital Expenditures are in line with expectations. Growth Capital Expenditures for Essential Air Services were $11 million. This includes the continued investment in the construction of the facility to house the Corporation's full motion King Air simulator, in addition to investments in aircraft and infrastructure for the BCEHS medevac contract.

Maintenance Capital Expenditures for Aerospace were consistent with the prior period. Both the current and prior period experienced similar number of events to support flying of owned assets. Growth Capital Expenditures for this business line for the quarter were $6 million which relates to 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 increased over 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, and the change in the calculation methodology is causing the period over period increase, not the cash actually invested in Maintenance Capital Expenditures. Growth Capital Expenditures made by the business line were $38 million. Assets that were purchased during the quarter are anticipated to be placed on lease in coming quarters.

Regional One Lease Portfolio	**March 31, 2025**		December 31, 2024	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**74 (1)**	**129**	67 (1)	131

Note 1) The aircraft total above includes 21 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.

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 Parts & 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.

Maintenance Capital Expenditures for Environmental Access Solutions increased over the prior period. This increase is driven primarily from the replacement of rolling stock which did not occur in the prior period. Growth Capital Expenditures for this business line were $1 million in the current period, attributed to investments in the composite mat rental fleet.

Maintenance Capital Expenditures for Multi-Storey Window Solutions were consistent with the prior period. Growth Capital Expenditures for this business line were less than $1 million and reflects investment in new equipment to support production efficiencies.

Maintenance Capital Expenditures for Precision Manufacturing & Engineering increased over the prior period. The increase is attributed to investments made to sustain the higher run rates experienced during the period. There were no Growth Capital Expenditures within this business line during the period.

INVESTMENT IN WORKING CAPITAL

During the period ended March 31, 2025, the Corporation generated nominal cash from working capital, as discussed further below.

During the period, the Corporation continued to invest in the Aircraft Parts & Leasing business making several purchases and placing deposits for assets that will be parted out and sold in future quarters. This increase 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. In addition, there were several whole aircraft and engines in inventory that are expected to be monetized in the coming quarters. These investments were offset by changes in other working capital items.

The Corporation continues to focus on its working capital management and expects working capital to decline further over the remainder of the year. It is expected that the Corporation's second and third quarters will see their normal seasonality with respect to working capital, but by the end of the year an overall reduction to working capital for the year is expected. This includes the impact of the expected sales within Aircraft Parts & Leasing discussed above.

Further details of the investment in working capital are included in Note 15 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

4. DIVIDENDS AND PAYOUT RATIOS

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

Dividends

Month	Record date		Per Share		2025 Dividends Amount	Record date		Per Share		2024 Dividends 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
Total		$	0.66	$	33,550		$	0.66	$	31,171

Dividends declared for the three months ended March 31, 2025, increased over the prior period. The issuance of shares as part of the acquisitions of Duhamel in the second quarter of 2024, Spartan in the fourth quarter of 2024, the conversion of convertible debentures in the fourth quarter of 2024 and the conversion of convertible debentures during the current period increased the number of shares outstanding, contributing to the increase in dividends. 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, accelerated interest accretion on convertible debentures, and unusual one-time items such as restructuring costs, all net of tax. Amortization of intangible assets results from intangible assets that are recorded when the Corporation completes an acquisition as part of the purchase price allocation for accounting purposes. There are no future capital expenditures associated with maintaining or replacing these intangible assets, therefore intangible asset amortization is not considered when assessing the ability to pay dividends. Acquisition costs are not required to maintain existing cash flows and therefore these costs are not considered in assessing the payment of dividends and include acquisition costs and pre-revenue ramp-up costs for significant expansions. Adjusted Net Earnings includes depreciation on all capital expenditures and is not impacted by the period to period variability in Maintenance Capital Expenditures.

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

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

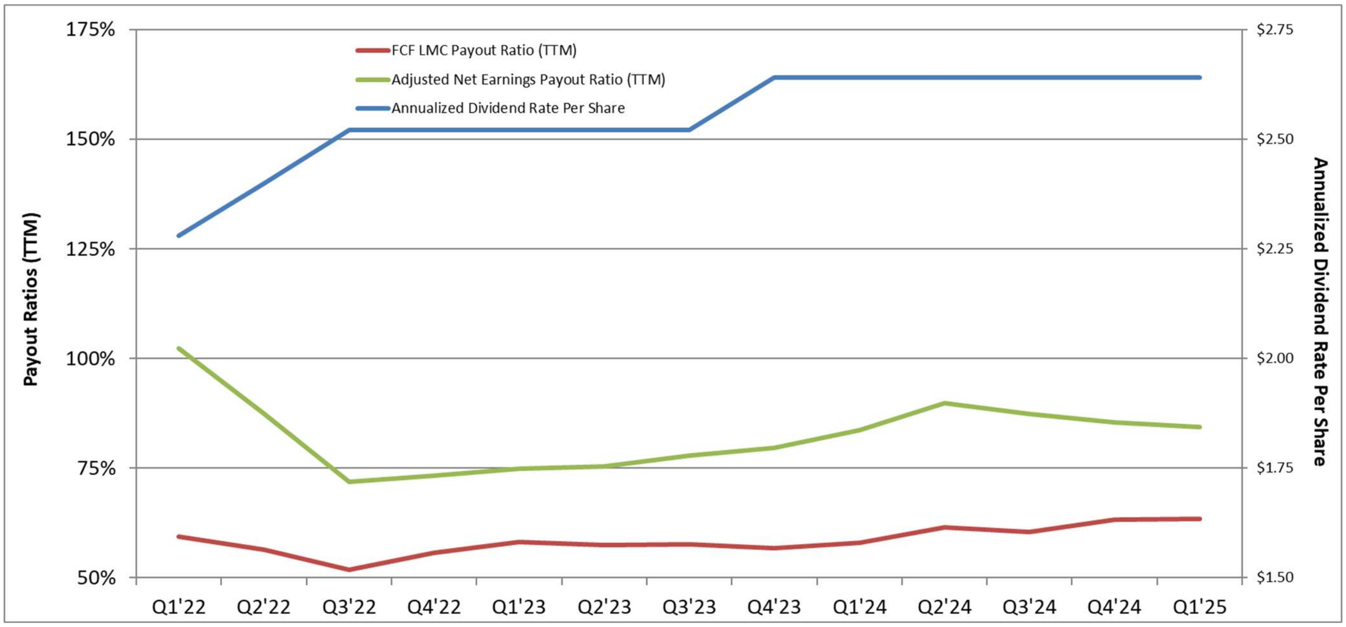
Payout Ratios *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Basic per Share Payout Ratios for the Corporation	**2025**		2024	
Periods Ended March 31	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**236%**	**84%**	330%	84%
Free Cash Flow less Maintenance Capital Expenditures	**132%**	**63%**	138%	58%

The trailing twelve month Adjusted Net Earnings payout ratio was 84% at March 31, 2025 compared to 84% at March 31, 2024. The ratio remained consistent with the prior period due to the factors leading to the increase in Adjusted Net Earnings discussed above. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 63% at March 31, 2025 compared to 58% at March 31, 2024. The increase in Free Cash Flow discussed above was partially offset by the increase in Maintenance Capital Expenditures also discussed above. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures.

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

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



5. OUTLOOK

The Corporation has acquired, and has continued to make further investments over time in its group of subsidiaries, with the intent to diversify 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 additional capital to grow, we have been able to deliver consistent growth for our shareholders on a per share basis throughout our history. For a variety of reasons, not all of 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 businesses to be much more resilient than one individual business. This means one or more over-performing business can support other subsidiaries that are experiencing a challenge at the time to address that challenge without impacting EIC's overall results materially, permitting a correction that is focused on long term profitability, rather than short term quarter to quarter management. 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.

Our record key financial metrics in the first quarter reflect the continued execution of our strategy. The organic growth initiatives, specifically the Aerospace & Aviation segment contract wins, will continue to ramp in 2025, coupled with a strengthening Manufacturing segment which will drive profitability in subsequent quarters.

We confirm our guidance for 2025 with an Adjusted EBITDA range of $690 million to $730 million, which is an increase between 10% and 16% from our 2024 results. The guidance excludes our previously announced Canadian North acquisition as it is pending regulatory approval with the timing of approval currently uncertain. We will update our forward-looking information upon approval of the Canadian North transaction as it requires complex regulatory approvals.

Our business model is based on diversified and resilient cash flows generated by our various subsidiaries. However, we are exposed to certain amounts of seasonality in our segments. For purposes of the Outlook, we will provide a high-level reminder on the seasonality and its drivers along with qualitative discussions regarding our segment expectations for 2025 and thereafter.

Seasonality

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

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

Outlook by Segment

Our Aerospace & Aviation segment Revenue and Adjusted EBITDA are expected to increase for the remainder of fiscal 2025 relative to the comparative period due to our organic growth investments made and continued execution on the contract wins announced in 2023 and 2024. Our Essential Air Services business line will reflect the impact of the commercial agreement with Air Canada and the full year contribution of the medevac contracts with British Columbia and Manitoba as well as the investment in aircraft and infrastructure to service these agreements. Service commenced under the Air Canada agreement on July 1, 2023 with operations ramping up during 2023 with four of the aircraft flying the contracted routes in November 2023. The fifth and sixth aircraft started flying partway through the second quarter of 2024 with routes to the United States starting in the fourth quarter of 2024. The British Columbia fixed wing medevac contract started in November 2023, with services being provided by existing aircraft. However, the full impact on profitability will be evident when the new aircraft are deployed and the pre-existing aircraft are redeployed under other contracts. We anticipate that eight to ten remaining aircraft will be delivered in the remaining quarters of 2025 and be placed into service shortly after modification and installation of the aircraft medevac interiors. In February 2024, the Manitoba medevac contract started with the modification and deployment of turboprop aircraft and the medevac jets aircraft were modified and introduced into the fleet in the third quarter of 2024. In 2024 we announced that we were the successful proponent, along with Medavie Health NL, to design, manage and operate the integrated ambulance services for the Province of Newfoundland and Labrador. Our specific work scope includes fixed wing and rotary air ambulance services. We are finalizing the contract with the Province of Newfoundland and Labrador and expect it to be completed in the second quarter of 2025 with service beginning later in the year. For the intervening period, we have entered into an interim rotary wing agreement to service the Province of Newfoundland and Labrador. The Aerospace business line's profitability is expected to increase for the remainder of fiscal 2025 relative to the prior year due to high tempo flying under certain of our ISR contracts coupled with the deployment of a second ISR aircraft under the 15-month contract with the UK Home Office with utilization starting in the latter part of 2025, partially offset by the change in scope of one of its support contracts from a performance-based logistics agreement to a time and materials arrangement. 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 in mid-2025. If successful, commencement of the contract would occur in fiscal 2028. Lastly, the Aircraft Sales & Leasing business line continues to build momentum and benefit from investments we have made in previous periods. Leasing revenue continues to increase as we deploy our assets throughout the globe. 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.

The announcement of the binding purchase agreement to acquire Canadian North will be strategic to the Aerospace & Aviation segment. The timing of the closing of the transaction will be dependent upon completion of the regulatory approval process. The acquisition will expand our existing route network as there is no overlap in the markets served. The aircraft that Canadian North flies are complementary to our current fleet and our Aircraft Sales & Leasing business line can provide support for maintenance and future growth of the fleet. Additionally, the infrastructure network owned by Canadian North will provide further expansion opportunities for our Aerospace business line. With our significant Northern aviation experience, we are uniquely suited to operate the route network and provide the Inuit communities with the social and economic benefits that our current customers expect from EIC.

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. Further tailwinds exist, as Canada's resource economy continues to develop, which will necessitate further transportation to remote areas. There continues to be opportunities to expand the geographical footprint of our world class medevac capabilities to other regions throughout Canada and the ability to expand our ISR offerings to other geographies around the world. Lastly, our Aircraft Sales & Leasing business line is continuing to expand. With the well-publicized production issues of new aircraft and the related risks and uncertainties, we have noted an uptick in demand for parts, aircraft and engines for prior generation aircraft. Furthermore, air operators are continuing to look for spare engines and repaired parts to capitalize on growing demand around the world. These factors are expected to provide tailwinds to Aircraft Sales & Leasing.

Our Manufacturing segment is expected to improve due to the strengthening business environment for certain of our subsidiaries coupled with contributions to our Environmental Access Solutions business line with the acquisitions of Duhamel and Spartan which were executed in June and November 2024, respectively. Our Environmental Access Solutions business line is expected to improve from a Revenue and Adjusted EBITDA perspective due to the acquisition of Duhamel and Spartan along with anticipated increasing rental activity related to projects commencing and increased activity within the remaining business line. Our Multi-Storey Window Solutions business line is expected to slightly decline compared to comparative periods due to reduced project activity because of the delays in booking projects in 2023 and in early 2024, compressed margins on projects being manufactured associated with the competitive environment at the time of bookings, customer deferrals of certain projects and one-time integration costs. Our Precision Manufacturing & Engineering business line is expected to significantly expand in Revenue and Adjusted EBITDA compared to the prior quarter comparatives primarily because of strong telecommunication customer demand coupled with strategic growth initiatives undertaken amongst the various subsidiaries. All of our businesses continue to see a significant number of inquiries and we are seeing the conversion of bookings to firm orders continue although the pace of inquiries and bookings softened slightly towards the end of the first quarter of 2025.

On a longer-term basis, business fundamentals and North American trends support our positive outlook for the Manufacturing segment businesses. Our Environmental Access Solutions business line sees opportunities for further geographic expansion into the US while the composite matting manufacturing capability of Spartan will allow for overall diversification of our product line. On a macro basis, as the electrical grid is expanded in the transmission and distribution sector and opportunities in the resource sector are realized, the utilization of matting and bridge solutions will be increased to protect ecologically sensitive areas. 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. We are seeing an increase in the number of apartment rental projects as opposed to condominiums, in certain markets, along with re-skinning projects to convert commercial properties into residential buildings. Our Multi-Storey Window Solutions business line is agnostic to the type of project as our subsidiaries have significant experience in all subsectors. The increased bookings experienced in the latter portion of 2024 are expected to be manufactured within the next 18 to 24 months, consistent with historical trends. We are continuing to see strong levels of inquiry in early 2025 however conversion to bookings is lower than historical levels as a consequence of economic uncertainties. 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 interest rates continue to decline and macroeconomic uncertainty continues to abate.

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 to support the operating segments, investments related to Indigenous Reconciliation programs such as the Atik Mason Pilot Pathway Program, and additional costs related to investments in IT and cybersecurity. These cost increases are expected to be commensurate with revenues and profitability increases of the underlying segments.

Tariffs and Geopolitical Uncertainty

Our Aerospace & Aviation segment is not directly impacted by potential 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 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. Our Aircraft Sales & Leasing business may be a benefactor of geopolitical uncertainty as aircraft acquisitions may be deferred by airline operators around the world, which could increase demand for parts and leased assets coupled with a strengthening US dollar which would have foreign exchange translation benefits. To date we have not experienced any significant negative impact in the Aviation & Aerospace segment resulting from the tariff activity enacted.

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. 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.

However, Manufacturing results may be impacted by short-term fluctuations in foreign exchange rates, risks associated with aluminum and steel tariffs, countervailing tariffs should they be enacted, short-term dislocation in pricing and the potential deferral of purchasing decisions by customers who are concerned about uncertain economic and political outlooks. To date, we have not experienced any significant negative impact in the Manufacturing segment, as our products are generally compliant with the Canada-United States-Mexico agreement. We have noted some increases in input costs for steel and aluminum products, however increases are mitigated through foreign exchange fluctuations coupled with pricing increases to our customers.

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, contract wins, persistent inflation related to parts and labour costs and US dollar strength relative to the prior year, we anticipate increases in our Maintenance Capital Expenditures in our Essential Air Services and Aerospace business lines in line with Adjusted EBITDA. The Maintenance Capital Expenditure on our Aircraft Sales & Leasing business line is expected to increase. The calculation of Maintenance Capital Expenditures was amended in the current year to reflect the utilization of the aircraft and engine lease portfolio. The revised computation, which is more conservative, was changed to reduce the periodic volatility as previously the Maintenance Capital Expenditure was based on actual expenditures of costs incurred to maintain the fleet which could significantly vary period to period. Maintenance Capital Expenditures in our Manufacturing segment are primarily expected to increase due to the acquisitions of Duhamel and Spartan in 2024.

Growth Capital Expenditures for 2025 will be primarily driven by the contract wins announced in 2023 and 2024 within the Aerospace & Aviation segment. The Growth Capital Expenditures pertain to the acquisition of the new King Air aircraft and related interior modifications which are required for the British Columbia medevac contract along with the planned redeployment or pre-existing aircraft and/or potential acquisition of aircraft to service the Newfoundland and Labrador medevac contract. As previously announced, we have become one of the world's largest King Air operators and accordingly, we are acquiring and installing fixed and full motion King Air simulators with the commissioning of the full motion simulator occurring in mid-2025. Within the Aerospace business line, Growth Capital Expenditures will be required in the second quarter for the technology upgrades for the second surveillance aircraft for the United Kingdom Home Office contract. Finally, as the Aircraft Sales & Leasing business line is an opportunistic acquiror, Growth Capital Expenditures may be undertaken if opportunities are identified, and returns are commensurate with management's expectations. These opportunistic purchases are held to the same level of diligence and discipline as an acquisition and will only be executed if appropriate financial metrics and risk mitigation exist. Growth Capital Expenditures in our Manufacturing segment are expected to be relatively consistent with the comparative periods in 2024. 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.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong. The Corporation completed several capital transactions in 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 period, the Corporation exercised its right to call its debenture series maturing in 2026, with a significant majority of the debentures converting to equity. This debenture transaction 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. Immediately after this transaction, and as at the end of the quarter, the Corporation does not have any long-term debt due until May 6, 2028. However, with the extension of its credit facility subsequent to the end of the period discussed further below, the nearest term debt maturities as of the date of this report are now the Corporation's two remaining convertible debentures – due in July 2028 and January 2029. The structured timing of debt maturities provides additional financial flexibility and provides the ability to weather economic downturns in the future.

On April 28, 2025, subsequent to the end of the period, 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. The credit facility includes $2,412 million allocated to the Corporation's Canadian Head Office and US $420 million allocated to EIIF 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 will be used to fund the purchase of new King Air aircraft to support 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. 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.

As at March 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 2.86x, with the increase compared to prior periods attributable to Growth Capital Expenditures related to recently awarded contracts funded using the Corporation's credit facility, and the redemption of the 2026 convertible debenture series. As the Corporation continues to get the benefit of the deployment of the assets, Adjusted EBITDA will increase and the senior leverage ratio will decline.

The Corporation's total leverage ratio includes the impact of outstanding convertible debentures, and the importance of this form of capital relative to Adjusted EBITDA has declined in recent years. Historically, our target was 1.0x unsecured debt to Adjusted EBITDA, and based on the midpoint of the 2025 guidance, these debentures approximated 0.36x.

Consistent with EIC's historical balance sheet management, the Corporation has been proactive in managing its liquidity such that should an opportunity present itself, EIC has the capability and financial resources to execute.

As at March 31, 2025, the Corporation had liquidity of approximately $715 million through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position. After the upsize and extension of the Corporation's enhanced credit facility, the Corporation has liquidity of approximately $1.5 billion.

As at March 31, 2025, the Corporation had a cash position of $54 million (December 31, 2024 - $72 million) and a net working capital position of $619 million (December 31, 2024 - $628 million) which represents a current ratio of 1.94 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.

	March 31 2025	December 31 2024
Total senior debt outstanding (principal value)	**$ 1,861,559**	$ 1,825,157
Convertible debentures outstanding (par value)	**258,732**	344,689
Common shares	**1,463,051**	1,377,171
Total capital	**$ 3,583,342**	$ 3,547,017

Credit Facility

The size of the Corporation's credit facility as at March 31, 2025 was approximately $2.2 billion, with $1.706 billion allocated to the Corporation's Canadian head office and US $360 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. The amount allocated to the Corporation's Canadian head office includes a $200 million social loan tranche, which will be 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. As at March 31, 2025, the Corporation had drawn $378 million and US $1,032 million (December 31, 2024 - $350 million and US $1,025 million).

On April 28, 2025, subsequent to the end of the period, 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 EIIF 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. As discussed above, this additional access to liquidity does not change our historical view on leverage.

The Corporation's long-term debt, net of cash, increased by $54 million since December 31, 2024. The increase is attributable to investments in Growth Capital Expenditures and the redemption of convertible debentures.

During the period, the Corporation used derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By entering into the swap, the Corporation can take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the US dollar borrowings as it will be exchanged for the same Canadian equivalent in one month. As at March 31, 2025, US $564 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

The following summarizes the convertible debentures outstanding as at March 31, 2025, and changes in the amounts of convertible debentures outstanding during the three months ended March 31, 2025:

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

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures – March 2019	85,957	-	(78,383)	(7,574)	-
Unsecured Debentures – July 2021	143,732	-	-	-	143,732
Unsecured Debentures – December 2021	115,000	-	-	-	115,000
Total	$ 344,689	$ -	$ (78,383)	$ (7,574)	$ 258,732

On February 13, 2025, the Corporation completed the early redemption of its 7 year, 5.75% convertible debentures as discussed above.

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the three months ended March 31, 2025:

	Date issued	Number of shares
Shares outstanding, beginning of period		49,602,431
Issued upon conversion of convertible debentures	various	1,599,642
Issued under dividend reinvestment plan (DRIP)	various	90,667
Issued under employee share purchase plan	various	30,647
Shares outstanding, end of period		51,323,387

The Corporation issued 90,667 shares under its dividend reinvestment plan during the period and received $5 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 30,647 shares under its Employee Share Purchase Plan during the period and received $2 million for those shares in accordance with the Employee Share Purchase Plan.

The weighted average shares outstanding during the three ended March 31, 2025, increased by 7% compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's dividend reinvestment plan, shares issued as part of the acquisitions of Duhamel and Spartan and shares issued from the conversion of debentures.

Normal Course Issuer Bid

On March 27, 2025, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 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.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 31, 2025, and ending on March 30, 2026. The Corporation can purchase a maximum $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $26, and $25, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

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

7. RELATED PARTY TRANSACTIONS

The nature of related party transactions that the Corporation entered during the three months ended March 31, 2025, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2024.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the MD&A of the Corporation for the year ended December 31, 2024.

9. ACCOUNTING POLICIES

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

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

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

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

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

Duhamel was acquired on June 21, 2024 and Spartan was acquired on November 13, 2024. In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design of internal controls over financial reporting to exclude the controls at each of these entities as management has not completed its review of internal controls over financial reporting for these newly acquired companies. These entities had revenue of $40 million included in the consolidated results of the Corporation for the period ended March 31,

2025. As at March 31, 2025, these entities had current assets of $53 million, non-current assets of $199 million, current liabilities of $18 million, and non-current liabilities of $29 million.

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

On May 12, 2025, subsequent to the end of the period, the Corporation announced the acquisition of Newfoundland Helicopters. 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 2025.

Disclosure Controls and Procedures

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

11. RISK FACTORS

The Corporation and its subsidiaries are subject to several business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entities. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's MD&A for the year ended December 31, 2024.

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

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

Adjusted EBITDA: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment, and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. Adjusted EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures, and income taxes. The most comparable IFRS measure, presented in the Corporation's Statements of Income as an additional IFRS measure, is 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, depreciation on the Corporation's mat and bridge rental portfolio assets, and, prior to the onset of the pandemic, depreciation recorded on assets in the Corporation's aircraft and engine leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation. While there is no comparable IFRS measure for Maintenance Capital Expenditures or Growth Capital Expenditures, the total of Maintenance Capital Expenditures and Growth Capital Expenditures is equivalent to the total of capital asset and intangible asset purchases, net of disposals, on the Statement of Cash Flows.

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

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 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 will result in Growth Capital Expenditures as this increased investment will generate additional cash flows in the future. It is possible to have negative Growth Capital Expenditures during a given period where total reinvestment is less than depreciation recorded on its rental portfolio.

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

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

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

	2025				2024				2023
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 668,276**	$ 687,695	$ 709,856	660,575	601,769	$ 656,676	$ 687,673	$ 627,222	$ 526,884
Adjusted EBITDA	**130,136**	167,054	192,914	157,045	111,051	143,621	167,751	147,036	97,117
Net Earnings	**7,207**	28,174	55,885	32,648	4,528	29,027	49,523	36,896	6,861
Basic	**0.14**	0.58	1.18	0.69	0.10	0.62	1.06	0.85	0.16
Diluted	**0.14**	0.57	1.08	0.67	0.09	0.61	0.99	0.80	0.16
Adjusted Net Earnings	**14,295**	38,740	61,372	37,662	9,574	33,768	55,263	43,480	11,540
Basic	**0.28**	0.80	1.29	0.80	0.20	0.72	1.19	1.00	0.27
Diluted	**0.28**	0.78	1.18	0.77	0.20	0.70	1.09	0.93	0.27
Free Cash Flow ("FCF")	**81,484**	110,606	136,116	100,502	61,931	102,265	117,143	98,002	59,708
Basic	**1.61**	2.30	2.86	2.13	1.31	2.17	2.51	2.25	1.40
Diluted	**1.47**	2.03	2.50	1.88	1.19	1.92	2.20	1.96	1.26
FCF less Maintenance Capital Expenditures	**25,500**	43,150	81,201	52,322	22,593	49,971	74,341	58,592	18,923
Basic	**0.50**	0.90	1.71	1.11	0.48	1.06	1.60	1.34	0.44
Diluted	**0.50**	0.84	1.53	1.02	0.47	0.99	1.43	1.21	0.44
Maintenance Capital Expenditures	**55,984**	67,456	54,915	48,180	39,338	52,294	42,802	39,410	40,785
Growth Capital Expenditures	**56,118**	46,995	93,180	44,800	39,326	101,566	81,115	85,952	34,411

ADDITIONAL INFORMATION

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	March 31 2025	December 31 2024
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 54,166**	$ 71,797
Accounts receivable	**598,217**	614,250
Amounts due from customers on construction contracts	**75,286**	59,610
Inventories	**498,663**	496,543
Prepaid expenses and deposits	**50,104**	37,031
Income taxes receivable	**1,565**	-
	1,278,001	1,279,231
OTHER ASSETS (Note 6)	**105,873**	134,685
CAPITAL ASSETS	**1,873,295**	1,824,607
RIGHT OF USE ASSETS	**165,862**	168,611
INTANGIBLE ASSETS	**358,773**	364,625
GOODWILL	**826,772**	827,229
	$ 4,608,576	$ 4,598,988
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	**$ 486,485**	$ 473,962
Income taxes payable	**-**	8,764
Deferred revenue	**87,575**	81,610
Amounts due to customers on construction contracts	**44,115**	46,632
Current portion of right of use lease liability	**40,490**	39,832
	658,665	650,800
OTHER LONG-TERM LIABILITIES	**20,856**	17,477
LONG-TERM DEBT (Note 7)	**1,858,654**	1,821,866
CONVERTIBLE DEBENTURES (Note 8)	**246,784**	330,390
LONG-TERM RIGHT OF USE LEASE LIABILITY	**137,055**	140,321
DEFERRED INCOME TAX LIABILITY	**223,323**	228,465
	3,145,337	3,189,319
EQUITY		
SHARE CAPITAL (Note 9)	**1,463,051**	1,377,171
CONVERTIBLE DEBENTURES - Equity Component (Note 8)	**7,653**	10,140
CONTRIBUTED SURPLUS	**17,369**	17,150
DEFERRED SHARE PLAN	**18,680**	18,215
RETAINED EARNINGS		
Cumulative Earnings	**928,630**	921,423
Cumulative Dividends	**(1,033,818)**	(1,000,268)
Cumulative impact of share cancellation under the NCIB	**(26,122)**	(26,122)
	1,375,443	1,317,709
ACCUMULATED OTHER COMPREHENSIVE INCOME	**87,796**	91,960
	1,463,239	1,409,669
	$ 4,608,576	$ 4,598,988

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands of Canadian dollars, except for per share amounts)

For the periods ended March 31	**2025**	2024
REVENUE		
Aerospace & Aviation	**$ 381,957**	$ 368,514
Manufacturing	**286,319**	233,255
	668,276	601,769
EXPENSES		
Aerospace & Aviation expenses - excluding depreciation and amortization	**231,210**	229,322
Manufacturing expenses - excluding depreciation and amortization	**206,990**	178,569
General and administrative	**99,940**	82,827
	538,140	490,718
EARNINGS BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS, TAXES, AND OTHER (Note 4)	**130,136**	111,051
Depreciation of capital assets	**66,720**	55,314
Amortization of intangible assets	**6,191**	5,578
Finance costs - interest	**30,636**	29,815
Depreciation of right of use assets	**10,409**	9,682
Interest expense on right of use lease liabilities	**2,063**	1,984
Acquisition costs	**2,674**	1,305
EARNINGS BEFORE INCOME TAXES	**11,443**	7,373
INCOME TAX EXPENSE (RECOVERY)		
Current	**7,360**	7,834
Deferred	**(3,124)**	(4,989)
	4,236	2,845
NET EARNINGS	**$ 7,207**	$ 4,528
NET EARNINGS PER SHARE (Note 12)		
Basic	**$ 0.14**	$ 0.10
Diluted	**$ 0.14**	$ 0.09

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders **For the periods ended March 31**	**2025**	2024
NET EARNINGS	**$ 7,207**	$ 4,528
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.	**187**	17,590
Net loss on hedge of net investment in foreign operations, net of tax expense of nil and nil, respectively.	**(377)**	(4,515)
Net gain (loss) on hedge of restricted share plan, net of tax expense (recovery) of ($983) and $461, respectively.	**(2,727)**	1,273
Net gain (loss) on interest rate swap, net of tax expense (recovery) of ($450) and $768, respectively.	**(1,247)**	2,161
	(4,164)	16,509
COMPREHENSIVE INCOME	**$ 3,043**	$ 21,037

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

					Retained Earnings				
	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	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 under dividend reinvestment plan (Note 9)	5,363	-	-	-	-	-	-	-	5,363
Deferred share plan vesting (Note 13)	-	-	-	418	-	-	-	-	418
Deferred share plan issuance	260	-	-	(260)	-	-	-	-	-
Shares issued under ESPP (Note 9)	1,075	-	-	-	-	-	-	-	1,075
Comprehensive income (loss)	-	-	-	-	4,528	-	-	16,509	21,037
Dividends declared (Note 10)	-	-	-	-	-	(31,171)	-	-	(31,171)
Balance, March 31, 2024	**$ 1,259,588**	**$ 13,979**	**$ 16,635**	**$ 16,914**	**$ 804,716**	**$ (905,551)**	**$ (26,122)**	**$ 62,036**	**$ 1,242,195**
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**
Convertible debentures									
Converted into shares	79,728	(2,268)	-	-	-	-	-	-	**77,460**
Matured/Redeemed	-	(219)	219	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 9)	4,632	-	-	-	-	-	-	-	**4,632**
Deferred share plan vesting (Note 13)	-	-	-	465	-	-	-	-	**465**
Shares issued under ESPP (Note 9)	1,520	-	-	-	-	-	-	-	**1,520**
Comprehensive income (loss)	-	-	-	-	7,207	-	-	(4,164)	**3,043**
Dividends declared (Note 10)	-	-	-	-	-	(33,550)	-	-	**(33,550)**
Balance, March 31, 2025	**$ 1,463,051**	**$ 7,653**	**$ 17,369**	**$ 18,680**	**$ 928,630**	**$ (1,033,818)**	**$ (26,122)**	**$ 87,796**	**$ 1,463,239**

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian Dollars)

For the periods ended March 31	**2025**	2024
OPERATING ACTIVITIES		
Net earnings for the period	**$ 7,207**	$ 4,528
Items not affecting cash:		
Depreciation of capital assets	**66,720**	55,314
Amortization of intangible assets	**6,191**	5,578
Depreciation of right of use assets	**10,409**	9,682
Accretion of interest	**1,477**	1,646
Gain on disposal of capital assets	**(77)**	(2,115)
Deferred income tax recovery	**(3,124)**	(4,989)
Deferred share program share-based vesting	**465**	418
	89,268	70,062
Changes in non-cash current and long-term working capital (Note 15)	**115**	(19,085)
	89,383	50,977
FINANCING ACTIVITIES		
Proceeds from long-term debt, net of issuance costs (Note 7)	**79,153**	29,476
Repayment of long-term debt (Note 7)	**(28,915)**	(13,363)
Long-term debt discount	**-**	22
Redemption of convertible debentures	**(7,574)**	-
Principal payments on right of use lease liabilities	**(10,232)**	(9,077)
Issuance of shares, net of issuance costs	**6,152**	6,698
Cash dividends (Note 10)	**(33,550)**	(31,171)
	5,034	(17,415)
INVESTING ACTIVITIES		
Purchase of capital assets	**(121,263)**	(91,086)
Proceeds from disposal of capital assets	**9,574**	12,806
Purchase of intangible assets	**(413)**	(384)
Return from (investment in) other assets	**10,416**	(3,834)
Payment of deferred acquisition consideration and prior period working capital settlements	**(11,012)**	(5,990)
	(112,698)	(88,488)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,281)**	(54,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**71,797**	103,559
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**650**	1,748
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 54,166**	$ 50,381
Supplementary cash flow information		
Interest paid	**$ 33,857**	$ 31,078
Income taxes paid	**$ 17,710**	$ 12,856

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

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

1. ORGANIZATION

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

As at March 31, 2025, the principal operating subsidiaries of the Corporation are Ben Machine Products Company Incorporated, 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 Mat Inc., Spartan Composites Inc. (collectively, "Spartan"), Stainless Fabrication Inc., Water Blast Manufacturing LP, and WesTower Communications Ltd. Crew Training International, Inc., Quest USA. Inc., Regional One, Inc., Spartan Mat Inc., Spartan Composites Inc. and Stainless Fabrication Inc. are wholly owned subsidiaries of EIIF Management USA Inc. Through the Corporation's subsidiaries, products and services are provided in two business segments: Aerospace & Aviation and Manufacturing.

The Corporation's results are impacted by seasonality factors. The Aerospace & Aviation segment revenues have historically been the strongest in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. Northern Mat 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.

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 $205,000, subject to adjustments. The purchase price will be funded by cash in the amount of $195,000 from the Corporation's credit facility and $10,000 of EIC common shares issued to the vendors. Closing of the transaction is subject to obtaining required regulatory approvals and other customary closing conditions and is expected to occur later this year.

2. BASIS OF PREPARATION

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

In accordance with IFRS Accounting Standards, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2024. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on May 12, 2025.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements. Note 3 of the Corporation's 2024 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies, except as noted below.

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

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

4. 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 interim condensed consolidated statement of income to assist users in assessing financial performance. The Corporation's management and the Board use this measure to evaluate consolidated operating results and assess the ability of the Corporation to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of the performance of the business and how much cash is being generated by the Corporation and assists in determining the need for additional cost reductions, evaluation of personnel, and resource allocation decisions. 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 financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the most recent annual financial statements.

6. OTHER ASSETS

The other assets of the Corporation consist of the following:

	March 31 2025	December 31 2024
Long-term prepaid expenses and security deposits	**$ 5,412**	$ 5,882
Long-term receivables	**428**	1,316
Equity method investments	**93,261**	103,037
Other investments - Fair value through OCI (Note 14)	**6,772**	6,830
Derivative financial instruments - Fair value through profit and loss (Note 14)	**-**	17,620
Total other assets	**$ 105,873**	$ 134,685

7. LONG-TERM DEBT

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

	March 31 2025	December 31 2024
Revolving term facility:		
Canadian dollar amounts drawn	**$ 378,100**	$ 350,000
United States dollar amounts drawn (US$1,031,900 and US$1,025,198 respectively)	**1,483,459**	1,475,157
Total credit facility debt outstanding, principal value	**1,861,559**	1,825,157
less: unamortized transaction costs	**(2,905)**	(3,291)
Long-term debt	**$ 1,858,654**	$ 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 March 31, 2025.

Interest expense recorded by the Corporation during the three months ended March 31, 2025 for long-term debt was $25,786 (2024 – $22,756).

On April 28, 2025, subsequent to the end of the period, 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

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

Head Office and US $420 million allocated to EIIF 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 will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million social loan tranche permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes.

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2025:

					Three Months Ended March 31, 2025
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	$ 350,000	$ 44,600	$ (16,500)	$ -	$ 378,100
United States dollar amounts	1,475,157	51,053	(28,915)	(13,836)	1,483,459
	$ 1,825,157				$ 1,861,559

In the table above, withdrawals and repayments include the impact of entering into or changing the principal value on already outstanding cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 14.

8. CONVERTIBLE DEBENTURES

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

Summary of the debt component of the convertible debentures:

	2025 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2025 Balance, End of Period
Unsecured Debentures - March 2019	85,197	-	123	(77,746)	(7,574)	-
Unsecured Debentures - July 2021	140,302	-	213	-	-	140,515
Unsecured Debentures - December 2021	111,943	-	167	-	-	112,110
						252,625
less: unamortized transaction costs						(5,841)
Convertible Debentures - Debt Component, end of period						$ 246,784
Convertible Debentures - Debt Component (long-term portion)						246,784

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. During the three months ended March 31, 2025, 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.

Interest expense recorded during the three months ended March 31, 2025, for the convertible debentures was $4,850 (2024 – $7,059).

On March 27, 2025, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at March 26, 2025. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 31, 2025 and ending on March 30, 2026. Daily purchases will be limited to $26 principal amount of Debentures (July 2021) and $25 principal amount of Debentures (December 2021), other than block purchase exemptions.

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

During the three months ended March 31, 2025, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

Convertible Debentures Equity Component

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

Summary of the equity component of the convertible debentures:

	March 31 2025	December 31 2024
Unsecured Debentures - 2019	**-**	2,487
Unsecured Debentures - July 2021	**4,240**	4,240
Unsecured Debentures - December 2021	**3,413**	3,413
Convertible Debentures - Equity Component, end of period	**$ 7,653**	$ 10,140

All convertible debentures outstanding at March 31, 2025, represent direct unsecured debt obligations of the Corporation.

9. SHARE CAPITAL

Changes in the shares issued and outstanding during the three months ended March 31, 2025, are as follows:

	Number of Shares	**2025 Amount**
Share capital, beginning of period	**49,602,431**	**$ 1,377,171**
Issued upon conversion of convertible debentures	**1,599,642**	**79,728**
Issued under dividend reinvestment plan	**90,667**	**4,632**
Issued under employee share purchase plan	**30,647**	**1,520**
Share capital, end of period	**51,323,387**	**$ 1,463,051**

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 22,369 shares, other than block purchase exemptions.

During the three months ended March 31, 2025, the Corporation did not make any purchases under its common share NCIB and therefore has the full 4,811,929 shares available for repurchase.

10. DIVIDENDS DECLARED

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

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

The amounts and record dates of the dividends during the three months ended March 31, 2025, and the comparative 2024 period are as follows:

Month	Record date	Per Share	2025 Dividends Amount	Record date	Per Share	2024 Dividends 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
Total		$ 0.66	$ 33,550		$ 0.66	$ 31,171

After March 31, 2025, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.22 per share for April 2025.

11. SEGMENTED AND SUPPLEMENTAL INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

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

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

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

	Three Months Ended March 31, 2025			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 381,957	$ 286,319	$ -	$ 668,276
Expenses	280,110	245,759	12,271	538,140
Adjusted EBITDA	101,847	40,560	(12,271)	130,136
Depreciation of capital assets				66,720
Amortization of intangible assets				6,191
Finance costs - interest				30,636
Depreciation of right of use assets				10,409
Interest expense on right of use lease liabilities				2,063
Acquisition costs				2,674
Earnings before income taxes				11,443
Current income tax expense				7,360
Deferred income tax recovery				(3,124)
Net Earnings				$ 7,207

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

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

				For the period ended March 31, 2025
	Aerospace & Aviation	**Manufacturing**	**Head Office [(1)]**	**Consolidated**
Total assets	**$ 2,935,838**	**$ 1,607,710**	**$ 65,028**	**$ 4,608,576**
Net capital asset additions	**103,337**	**8,311**	**41**	**111,689**

				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

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

Revenues

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

Revenue Streams	**March 31 2025**	March 31 2024
Aerospace & Aviation Segment		
Sale and lease of goods - point in time	**$ 88,760**	$ 73,269
Sale of services - point in time	**255,650**	246,450
Sale of services - over time	**37,547**	48,795
Manufacturing Segment		
Sale and lease of goods - point in time	**102,406**	59,255
Sale of services - point in time	**14,089**	13,218
Sale of goods and services - over time	**169,824**	160,782
Total revenue	**$ 668,276**	$ 601,769

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

12. EARNINGS PER SHARE

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

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

The computation for basic and diluted earnings per share for the three months ended March 31, 2025, and the comparative for the 2024 period are as follows:

Three Months Ended March 31		**2025**		2024
Net earnings	**$**	**7,207**	$	4,528
Effect of dilutive securities				
Convertible debenture interest		**-**		-
Diluted Net Earnings	**$**	**7,207**	$	4,528
Basic weighted average number of shares		**50,593,124**		47,206,228
Effect of dilutive securities				
Deferred Shares		**1,030,047**		947,788
Convertible debentures		**-**		-
Diluted basis weighted average number of shares		**51,623,171**		48,154,016
Net Earnings per share:				
Basic	**$**	**0.14**	$	0.10
Diluted	**$**	**0.14**	$	0.09

13. EMPLOYEE BENEFITS

Deferred Share Plan

During the three months ended March 31, 2025, the Corporation granted 41,136 (2024 – 40,339) deferred shares to certain personnel. The fair value of the deferred shares granted was $2,180 (2024 – $1,903) at the time of the grant and was based on the market price of the Corporation's shares at that time. During three months ended March 31, 2025, the Corporation recorded a compensation expense of $465 (2024 – $418), for the Corporation's Deferred Share Plan within the general and administrative expenses of head office.

Restricted Share Plan

During the three months ended March 31, 2025, the Corporation granted 167,067 (2024 – 191,653) restricted shares to certain personnel. The fair value of the restricted share units granted was $9,354 (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 three months ended March 31, 2025, the Corporation recorded compensation expense of $2,285 (2024 – $1,858), for the Corporation's Restricted Share Plan within the general and administrative expenses of head office net of its restricted share plan hedge, with a corresponding liability recorded in Accounts Payable and Accrued Expenses.

Employee Share Purchase Plan

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

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

During the three months ended March 31, 2025, employees acquired 30,647 (2024 - 22,173) shares from treasury at a weighted average price of $49.59 (2024 - $48.49) per share. The grant date fair value of the shares that will be awarded upon the vesting conditions of the plan being attained is estimated at $525 based on the share price and monthly dividend rate at that time.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (primarily currency, interest rate risk, and other price risk), credit risk, and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that have significantly changed from those described in the December 31, 2024, audited consolidated financial statements.

Market Risk

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

Currency Risk

The Corporation has US $1,031,900 or $1,483,459 (December 31, 2024 – US $1,025,198 or $1,475,157) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $304,100 (December 31, 2024 – US $316,498) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation's investment in those subsidiaries with US dollar functional currencies are hedged partially by US $163,400 (December 31, 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 period, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at March 31, 2025, was a financial liability of $1,119 (December 31, 2024 – financial asset of $12,374). At March 31, 2025, the notional value of the swaps outstanding is US $564,400 (December 31, 2024 – US $561,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $1,119 was reclassified to other comprehensive income (December 31, 2024 – $12,374).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 7) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Corporation to choose the base interest rate between Prime, Canadian Overnight Repo Rate Average ("CORRA"), or the Secured Overnight Financing Rate ("SOFR"). At March 31, 2025:

- US $1,031,900 (December 31, 2024 – US $1,023,050) was outstanding under SOFR;
- Nil (December 31, 2024 – US $2,148) was outstanding under US Prime; and
- $378,100 (December 31, 2024 – $350,000) was outstanding under CORRA.

The interest rates of the convertible debentures (Note 8) have fixed interest rates.

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

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 outstanding swaps are as follows:

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

These derivative financial instruments hedge the exposure to variability in cash flow associated with the future payment of interest on CORRA or SOFR debt that would impact profit or loss and therefore qualify as a cash flow hedges. The fair value of interest rate swaps are recorded within other long-term financial liability of $2,709 (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 derivative instruments for each of the 2023, 2024 and 2025 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualify as cash flow hedges. On a combined basis, the initial grant date fair value for the 2023, 2024 and 2025 programs was $30,673. The fair value of the instruments are recorded in long-term financial liability of $327 (December 31, 2024 – long-term financial asset of $5,246) and are recorded as a separate line within other comprehensive income.

Fair Value of Financial Instruments

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

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	**March 31, 2025**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Fair value through OCI (Note 6)	6,772	-	-	6,772
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(5,691)	-	-	(5,691)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(1,119)	-	(1,119)	-
Other long term liabilities - Restricted Share Plan Derivative - Financial liability at fair value through profit and loss	(327)	-	(327)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(2,709)	-	(2,709)	-
Fair Value Disclosures				
Other assets - Amortized cost	3,921	-	3,921	-
Long-term debt - Amortized cost	(1,858,654)	-	-	(1,861,559)
Convertible debt - Amortized cost	(246,784)	(269,814)	-	-

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

Recurring fair value measurements	Carrying Value December 31, 2024	Fair Value: Quoted prices in an active market Level 1	Fair Value: Significant other observable inputs Level 2	Fair Value: Significant unobservable inputs Level 3
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss	$ 12,374	$ -	$ 12,374	$ -
Other long-term assets - Restricted Share Plan Hedge - Financial asset at fair value through profit and loss (Note 6)	$ 5,246	$ -	$ 5,246	$ -
Other long-term assets - Fair value through OCI (Note 6)	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 and Spartan including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary For the periods ended	**March 31 2025**	December 31 2024
Opening balance	**$ 17,729**	$ 10,384
Accretion	**48**	95
Change in estimate	**-**	(314)
Acquisition of Duhamel	**-**	2,381
Acquisition of Spartan	**-**	11,173
Settled during the period	**(11,012)**	(5,990)
Foreign exchange loss (gain) and other	**(1,074)**	-
Ending balance	**$ 5,691**	$ 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 interim condensed consolidated Statement of Financial Position. The fair value of each earn out liability is determined at the time of the acquisition and uses several estimates. At the end of each reporting period, the Corporation reviews these estimates for reasonableness and makes any required adjustments to the carrying value of the liability.

During the period, the Corporation settled its deferred purchase consideration related to the Spartan acquisition in the amount of $11,012.

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

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 March 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 5.3%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's creditworthiness.

As at March 31, 2025, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $269,814 (December 31, 2024 - $344,689) with a carrying value of $246,784 (December 31, 2024 - $330,390).

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

15. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three months ended March 31, 2025, and the comparative period in 2024 are as follows:

Three Months Ended March 31		2025		2024
Accounts receivable, including long-term portion	**$**	**16,527**	$	41,315
Amounts due from customers on construction contracts		**(15,668)**		(14,524)
Inventories		**(2,677)**		(12,402)
Prepaid expenses and deposits, including long-term portion		**(13,046)**		7,262
Accounts payable and accrued expenses, including long-term portion		**21,910**		(40,624)
Income taxes receivable/payable		**(10,410)**		(4,901)
Deferred revenue, including long-term portion		**5,966**		13,505
Amounts due to customers on construction contracts		**(2,487)**		(8,716)
Net change in working capital	**$**	**115**	$	(19,085)

16. SUBSEQUENT EVENTS

Credit Facility Upsize and Extension

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 EIIF 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 will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million social loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes.

Acquisition of Newfoundland Helicopters Ltd.

On May 12, 2025, the Corporation announced the acquisition of Newfoundland Helicopters 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.