Exchange Income Corporation

Exchange Income Corporation Reports Financial Results for Q4 and FY 2013
-Returns to profitability in Q4-
-Generates $1.03 billion in revenue and EBITDA of $80.5 million for FY 2013-

WINNIPEG, Manitoba – February 26, 2014 – Exchange Income Corporation (TSX: EIF) (the "Corporation" or "Exchange"), a diversified, acquisition-oriented company focused on niche aviation and specialty manufacturing sectors, reported its financial results for the three- and twelve-month periods ended December 31, 2013. All amounts are in Canadian currency.

"Our performance in 2013 was characterized by massive growth and the record $1.03 billion in revenue we generated," said Mike Pyle, President and Chief Executive Officer of Exchange Income Corporation. "However, the magnitude of the growth at WesTower put considerable strain on our management processes and systems leading to a decline in margins and profitability. We have implemented a number of measures over the last few months to improve efficiencies, and are confident that WesTower will achieve profitable growth moving forward."

Mr. Pyle added, "2013 was also marked by the addition of Regional One, a seller of after-market aircraft engines and parts. The acquisition, which is our largest to date, allowed us to further diversify our revenue streams, enter new markets and offset a major expense category for our Aviation segment. Regional One's contribution to EIC was above expectations in 2013, and this is a business platform that we are focused upon to grow through further capital investments."

2013 Financial and Operational Highlights

- Consolidated revenue was $1.03 billion, up 29%.
- As previously disclosed in the Corporation's third quarter results, WesTower's U.S. operations incurred an $11 million expense at that time as a result of the net effect of changes to revenue and estimates associated with specific completed projects. WesTower also incurred $5.5 million of expenses related to the use of external advisors associated with improving process efficiencies and internal controls as a result of the pressure from its rapid growth.
- EBITDA was $80.5 million, down 15%.
- Net earnings were $9.0 million, down 65%.
- Acquired Regional One, a seller and lessor of aircraft, aircraft engines and parts, for $89.9 million.
- Hired Steven Pickett as the new Chief Executive Officer of WesTower. Mr. Pickett has almost 30 years of experience in the telecommunications industry in senior roles.
- Invested $44.1 million in growth capital expenditures aimed at positioning the Corporation for future growth opportunities.

Results for the year ended December 31, 2013

Selected Financial Highlights

All amounts in thousands except % and share data	FY 2013	FY 2012	% Change
Revenue	$1,030,079	$800,573	+29%
EBITDA[1]	$80,499	$94,498	-15%
Net Earnings	$8,984	$25,351	-65%
Adjusted Net Earnings[2]	$11,649	$29,330	-60%
Earnings per Share[3] - basic	$0.42	$1.26	-67%
Adjusted Earnings per Share - basic	$0.54	$1.46	-63%
Dividends declared	$35,889	$32,717	+10%

[1] EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. EBITDA is not a defined performance measure under International Financial Reporting Standards (IFRS). It is used by management to assess the performance of the Corporation and its operating segments.

[2] Adjusted net earnings exclude the after-tax impact of acquisition costs expensed, asset impairment, gains and losses recognized on the fair value of contingent consideration items, and amortization of intangible assets that are purchased at the time of acquisitions.

[3] Exchange had 21,752,400 shares outstanding at December 31, 2013, up from 20,636,593 at December 31, 2012. The growth is mainly due to the conversion of debentures, and the issuance of shares in support of acquisition activities.

Consolidated revenue for 2013 was $1.03 billion, up 29% from $800.6 million for FY 2012. The revenue increase was driven largely by the contributions of WesTower Communications, a manufacturer, installer, and maintenance provider of communication towers and sites in both Canada and the United States. Consolidated revenue also grew as a result of the addition of Regional One, which was acquired April 2013.

Exchange generates revenue from its Aviation and Manufacturing segments, each of which is comprised of subsidiaries operating in niche markets and generating defensible cash flows.

On a segmented basis, the Aviation segment generated revenue of $313.2 million, up 12% from $280.4 million for FY 2012. The year-over-year revenue growth was largely due to the acquisition of Regional One, which generated $38.5 million in revenue over the course of eight and a half months of contributions. Revenue growth also increased due to higher demand for the Corporation's medevac and cargo services in select markets in northern Manitoba and Nunavut. The Aviation segment's revenue growth was partially off-set by a number of contributing factors, including increased competitive pressure faced by Bearskin Airlines in eastern Canada markets and the decline in demand for certain charter services due to unfavorable market conditions in the mining sector. In 2013, the Aviation segment generated 30% of the Corporation's consolidated total as compared to 35% of the Corporation's consolidated total for FY 2012.

The Manufacturing segment generated revenue of $716.9 million in 2013, up 38% from $520.2 million for FY 2012. The growth was attributable to the contributions of WesTower, which generated revenue of $627.9 million in 2013, up 47% from FY 2012. WesTower's growth was largely due to the continued rollout of its turfing contract with AT&T and to high demand from wireless carriers across North America as they continue the deployment of LTE network build-outs. Excluding the contributions of WesTower, the Manufacturing segment's companies decreased revenue by 4% to $89.0 million. The year-over-year decline was largely due to lower revenue from Stainless, which won multiple large contracts in 2012 generating a short-term revenue spike for the Manufacturing segment. In 2013, the Manufacturing segment generated 70% of the Corporation's consolidated total revenue as compared to 65% of the Corporation's consolidated total revenue for FY 2012.

Consolidated EBITDA for 2013 was $80.5 million, down 15% from $94.5 million for FY 2012. The year-over-year decline was due to higher operating costs and inefficiencies experienced by WesTower's U.S. operations. Most notably was the $11 million expense incurred by WesTower's U.S. operations as a result of the net effect of changes made to initial estimates for revenue and costs for specific projects, which the Corporation previously disclosed in its third quarter results. The net adjustments were made once projects were completed. WesTower also incurred external advisor costs of $5.5 million related to improving internal processes and systems.

On a segmented basis, the Aviation segment generated EBITDA of $64.7 million for 2013, up 24% from $52.1 million for FY 2012. The growth was due to the addition of Regional One, which contributed EBITDA of $14.9 million. The Aviation segment's EBITDA also improved as a result of the ongoing implementation of a fleet renewal program announced previously. This growth was offset, however, by a number of factors, including adverse weather conditions in the first quarter, higher competitive pressures in certain markets in Ontario, and unfavorable economic conditions in the mining sector, all of which combined together resulted in lower customer demand for other Aviation segment companies. The Aviation segment's EBITDA margin for 2013 was 20.7%, up from 18.6% for FY 2012. The margin improvement was the result of the addition of Regional One that generates a higher EBITDA margin plus the ongoing efforts by the Corporation to improve the Aviation segment's costs and efficiencies.

The Manufacturing segment generated EBITDA of $24.5 million in 2013, down 52% from $51.0 million for FY 2012. The decline was due largely to the performance of WesTower's U.S. operations, which, as already noted, experienced margin pressures due to inefficiencies and higher costs, and as previously disclosed in the third quarter results included an $11 million expense for adjustments to revenue and cost estimates for specific projects completed in 2013. WesTower's earnings are determined using the percentage of completion method, which is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Consistent with IFRS, the effect of a net change in the preliminary estimate of a contract's revenue or contract's costs, or the effect of a net change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate during the reporting period.

Exchange reported net earnings for 2013 of $9.0 million, or $0.42 per basic share. This compares to net earnings of $25.4 million or $1.26 per basic share for FY 2012. The decline in net earnings were due to factors already described for changes in EBITDA and also as a result of increased depreciation and amortization with higher levels of capital assets, and increased interest costs from higher levels of debt outstanding. Net earnings per share in 2013 were also impacted by a growth in the number of shares outstanding of 5% mainly as a result of shares issued for purchase consideration in the acquisition of Regional One and the conversion of debentures.

Excluding net expenses of $2.6 million incurred as a result of IFRS related intangible amortization, acquisition costs and a fair value gain on the Regional One acquisition liabilities, Exchange had adjusted net income of $11.6 million or $0.54 per basic share for 2013.

As at December 31, 2013, Exchange had a net cash position of $23.2 million and net working capital of $256.6 million, which represents a current ratio of 2.23 to 1. These compare to a net cash position of $4.2 million, net working capital of $156.6 million and a current ratio of 1.90 to 1 for 2012.

Selected Key Performance Indicators

All amounts in thousands except % and share data	**YE 2013**	**YE 2012**	**% Change**
Free Cash Flow[4]	$65,133	$76,776	-15%
Free Cash Flow per share - basic	$3.03	$3.83	-21%
Total Maintenance Capex	$38,007	$30,771	+24%
Free Cash Flow less Maintenance Capex	$27,126	$46,005	-41%
Free Cash Flow less Maintenance Capex per share - basic	$1.26	$2.30	-45%
Dividends/Distributions Declared	$35,889	$32,717	+10%
Free Cash Flow less Maintenance Capex Payout Ratio	133%	71%	

Given its operations and commitment to stable dividend payments to shareholders, Exchange currently uses a number of key performance indicators, most notably Free Cash Flow and Free Cash Flow less maintenance capital expenditures, to evaluate its progress and assess its ability to sustain its dividend policy. It is important to understand that as a result of reporting under IFRS, maintenance capital expenditures fluctuate from period to period. As a result of the variability in the maintenance capital expenditures under IFRS, Free Cash Flow is a better metric than Free Cash Flow less maintenance capital expenditures as a measure to compare quarterly changes of ongoing operating performance. This metric will not have the variability of the lumpy capital expenditures and therefore will give a better indication of the performance of the underlying operations and the trend in performance. Maintenance capital expenditures are variable under IFRS because overhaul maintenance for aircraft engines and airframe heavy checks that were previously accrued in advance are treated as capital expenditures when the event takes place under IFRS. Free Cash Flow less maintenance capital expenditures is still an important operating metric; however, it will be subject to lumpy quarterly and annual changes as a result of the maintenance capital expenditures and therefore needs to be evaluated over longer operating periods.

Free Cash Flow for 2013 totaled $65.1 million, down 15% from $76.8 million for FY 2012. Free Cash Flow on a basic per share basis in 2013 was $3.03 as compared to $3.83 for FY 2012. The declines were mainly attributable to EBITDA margin pressures faced by WesTower's U.S. operations due to higher costs and inefficiencies and offset partially by the positive contributions made through the addition of Regional One.

Free Cash Flow less Maintenance Capex in 2013 was $27.1 million or $1.26 per basic share. These compare to $46.0 million or $2.30 per basic share in 2012. Maintenance Capex grew as a result of the

[4] Free cash flows is a financial metric used by Management to assess the Corporation's performance and assess its ability to sustain its dividend policy.

addition of Regional One and also the result of the timing of engine overhauls and heavy checks at our pre-existing aviation subsidiaries, specifically Perimeter and Calm Air.

Results for the three months ended December 31, 2013
"Our fourth quarter results marked a return to profitability," said Adam Terwin, Chief Financial Officer of Exchange Income Corporation. "The quarter was highlighted by stabilizing WesTower US operations. The changes implemented at WesTower late in 2013 resulted in modest margin improvement in Q4 and sets the stage for margin improvement as 2014 progresses. The other highlights of Q4 were a very profitable quarter by Regional One and the continued improvement at Calm Air as a result of the significant investment in its fleet rationalization plan. These improvements and our current outlook for our operating entities support the Corporation's dividend distributions at the current rate."

Selected Financial Highlights

All amounts in thousands except % and share data	Q4 2013	Q4 2012	% Change
Revenue	$267,500	$231,447	+16%
EBITDA	$22,326	$25,642	-13%
Net Earnings	$1,871	$6,710	-72%
Adjusted Net Earnings	$2,283	$8,090	-72%
Earnings per Share – basic	$0.09	$0.32	-72%
Adjusted Earnings per Share – basic	$0.10	$0.39	-74%
Dividends declared	$9,092	$8,555	+6%

Consolidated revenue for the fourth quarter of 2013 was $267.5 million, up 16% from $231.4 million for Q4 2012. The revenue increase was primarily due to the continued growth of WesTower and the addition of Regional One to the Corporation's list of operating subsidiaries.

On a segmented basis, the Aviation segment generated revenue in Q4 2013 of $86.6 million, up $17.8 million or 26% from Q4 2012. The growth was due to the addition of Regional One which contributed $18.5 million with no comparative in Q4 2012. This was offset by declines in Bearskin and some of the Aviation segment's supporting businesses. In Q4 2013, the Aviation segment generated 32% of Exchange's consolidated revenue compared to 30% for Q4 2012.

In Q4 2013, the Manufacturing segment generated revenue totaling $180.9 million, up $18.2 million or 11% from Q4 2012. The revenue increase was due to the continuing high demand for WesTower's product and services as well the Stainless operations having a strong finish to the year with some higher field work and shop volumes than traditional production levels. In Q4 2013, the Manufacturing segment generated 68% of Exchange's consolidated revenue total compared to 70% for Q4 2012.

Consolidated EBITDA for Q4 2013 was $22.3 million, down 13% from $25.6 million for the comparative period in 2012. The decline in 2013 was largely due to margin pressures experienced by WesTower's U.S. operations already described. As a result of changes implemented earlier in the year aimed at improving WesTower's margins and the addition of Regional One, consolidated EBITDA in Q4 2013 improved 43% on a sequential basis over Q3 2013.

On a segmented basis, Exchange's Aviation segment generated EBITDA of $19.5 million for Q4 2013, up $7.4 million or 62% from Q4 2012. The growth was primarily due to the addition of Regional One, which contributed EBITDA of $7.9 million with no comparable in Q4 2012.

The Manufacturing segment generated EBITDA of $5.6 million for Q4 2013, down $10.0 million or 64% from Q4 2012. The decline was due to margin pressures experienced by WesTower as noted previously. Excluding WesTower contributions, EBITDA from the other companies in the Manufacturing segment grew 29%. The growth was largely due to the strong performance at the Corporation's Alberta operations and Stainless.

Exchange reported net earnings for Q4 2013 of $1.9 million or $0.09 per basic share. Q4 2013 marked a return to profitability for the Corporation and represented a sequential improvement over the $0.2 million loss incurred in Q3 2013. In Q4 2012, the Corporation generated net earnings of $6.7 million or $0.32 per basic share. The decrease was largely due to the performance of WesTower's U.S. operations for reasons already described. Per share results were also impacted by the higher number of shares outstanding mainly as a result of shares issued for purchase consideration in the acquisition of Regional One and the conversion of debentures.

Excluding net expenses totaling $0.4 million incurred as a result of IFRS intangible amortization and a fair value gain on the Regional One acquisition liabilities, Exchange had adjusted net earnings of $2.3 million or $0.10 per basic share in Q4 2013. In the corresponding period of 2012, Exchange had adjusted net earnings of $8.1 million or $0.39 per basic share.

Selected Key Performance Indicators

All amounts in thousands except % and share data	**Q4 2013**	**Q4 2012**	**% Change**
Free Cash Flow	$16,651	$20,729	-20%
Free Cash Flow per share - basic	$0.76	$1.00	-24%
Total Maintenance Capex	$11,405	$7,297	+56%
Free Cash Flow less Maintenance Capex	$5,246	$13,432	-61%
Free Cash Flow less Maintenance Capex per share – basic	$0.24	$0.65	-63%
Dividends Declared	$9,092	$8,555	+6%
Free Cash Flow less Maintenance Capex Payout Ratio	175%	64%	

Free Cash Flow for Q4 2013 totaled $16.7 million, down 20% from $20.7 million for Q4 2012. Free Cash Flow on a basic per share basis in Q4 2013 was $0.76 as compared to $1.00 for the Q4 2012. The decline in Free Cash Flow was due to lower EBITDA levels generated and described above.

Free Cash Flow less Maintenance Capex was $5.2 million or $0.24 on a basic per share basis for Q4 2013 as compared to $13.4 million or $0.65 on a per share basis for Q4 2012. The decrease is a result of the decline in absolute Free Cash and an increase of Maintenance Capex in the 2013 period.

Outlook

"We are optimistic about our prospects for growth," added Mr. Pyle. "In the near term, we expect our performance will be impacted by seasonality factors. Our first quarter results, which historically have been our weakest, will be affected by the recent harsh winter conditions that have taken a toll not only on flight schedules for our Aviation segment companies but also on the installation of cell towers in certain WesTower markets."

"During 2014, we believe that the changes we introduced at WesTower will begin to have the desired effect of improving margins. We are also seeing positive signs of pent-up demand within the manufacturing sector as well as for Regional One's products and services. We also remain very committed to our acquisition strategy. Our access to more than $126 million in available credit from our facility based on debt levels at year-end 2013, and the subsequent closing of a new series of convertible debentures that will initially be used to pay down the amount outstanding in our credit facility, will allow us to capitalize on opportunities as they emerge, and enable us to further diversify our operations and cash flow. The challenges we have faced in 2013, in particular those at WesTower, provide opportunity to grow and strengthen our company in the future."

The Corporation's complete financial statements and management's discussion and analysis for the three- and twelve-month periods ended December 31, 2013 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call notice

Exchange will hold a conference call to discuss its fourth quarter and year-end financial results for fiscal year 2013 on Thursday February 27, 2014 at 10:00 am ET. Mike Pyle, President and Chief Executive Officer, and Adam Terwin, Chief Financial Officer, will co-chair the call.

All interested parties can join the conference call by dialing 1-888-231-8191 or 647-427-7450. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until Thursday, March 6, 2014 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 40324448.

A live audio webcast of the conference call will be available at www.ExchangeIncomeCorp.ca and www.newswire.ca. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available for 365 days.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused on opportunities in the industrial products and transportation sectors which are ideally suited for public markets except for their size. The strategy of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets in Canada and/or the United States.

The Corporation currently operates in two niche business segments: aviation and specialty manufacturing. The aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters and Regional One, and the specialty manufacturing segment consists of the operations by Jasper Tank, Overlanders Manufacturing, Water Blast Manufacturing, Stainless Fabrication and WesTower Communications. For more information on the Corporation, please visit www.ExchangeIncomeCorp.ca

Additional information relating to the Corporation, including all public filings, is available on SEDAR (www.sedar.com).

Forward-Looking Information:

The statements contained in today's press release that are forward-looking are based on current expectations and are subject to a number of uncertainties and risks, and actual results may differ materially. These uncertainties and risks include, but are not limited to, the dependence of the Corporation on the operations and assets currently owned by it, the degree to which its subsidiaries are leveraged, the fact that cash distributions are not guaranteed and will fluctuate with the Corporation's financial performance, dilution, restrictions on potential future growth, competitive pressures (including price competition), changes in market activity, the cyclicality of the industries, seasonality of the businesses, poor weather conditions, and foreign currency fluctuations, legal proceedings, commodity prices and raw material exposure, dependence on key personnel, and environmental, health and safety and other regulatory requirements. Further information about these and other risks and uncertainties can be found in the disclosure documents filed by the Corporation with the securities regulatory authorities, available at www.sedar.com.

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