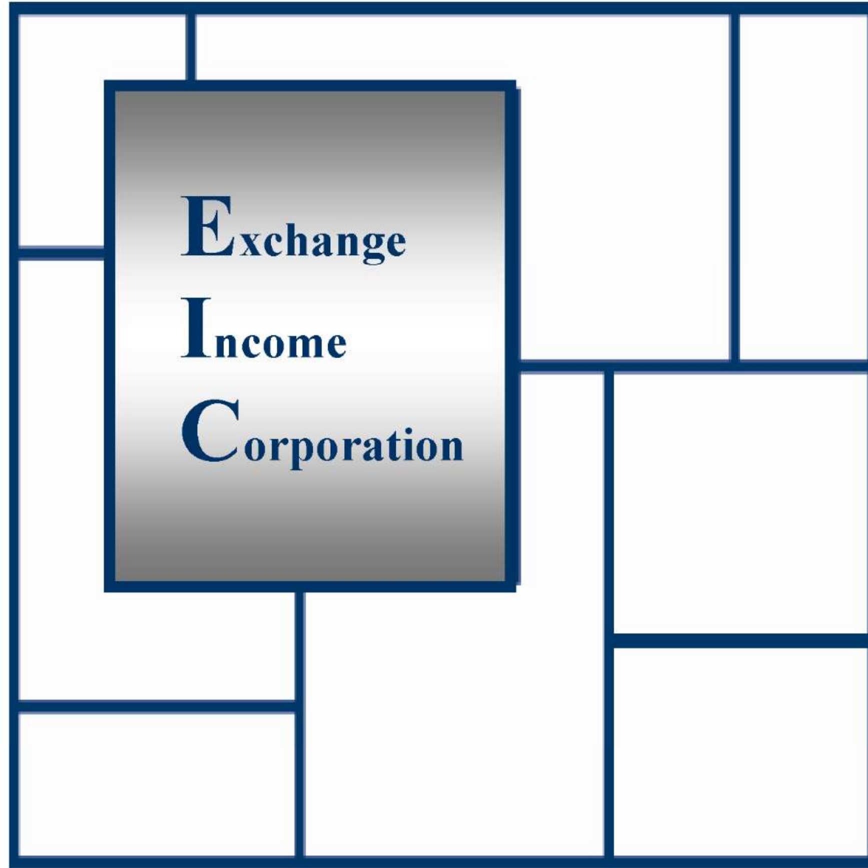


Second Quarter Report

For the six months ended

June 30, 2024

CEO's Message

Over the past 20 years of our history, our strategy has been steadfast, and the results of that strategy have been incredibly successful for the Company and our shareholders. Our purpose-built strategy has been based on three fundamentals: i) to provide our shareholders with stable and growing cash distributions ii) maximize the share value associated with our portfolio of subsidiaries, including through continued investment in those subsidiaries post-acquisition, and iii) employ a disciplined acquisition strategy. The strategy is rooted in taking the long-term view of our investments and our portfolio of subsidiaries. We have not strayed from that purpose in the past 20 years, and I am even more convinced that our business model will lead us into the next 20 years of successes. Our business model is diverse and our financial results are resilient, as evidenced by the most recent quarter. The investments we made in our Aerospace & Aviation segment over the past year are starting to yield their intended benefits and our Manufacturing segment is continuing to weather the economic uncertainties and is primed for future growth and margin expansion as those uncertainties start to abate.

We are seeing positive signs as we move into the third quarter as certain projects that have been deferred during the second quarter are expected to impact in the third and fourth quarters along with recent confirmation of project wins within our Manufacturing segment which will provide tailwinds for 2024 and beyond. Accordingly, we believe that we will achieve the mid to upper end of our Adjusted EBITDA guidance for the year ended December 31, 2024.

Before delving into the segment specifics let me highlight some of second quarter notable accomplishments:

Highlights from EIC's 2024 Second Quarter Financial Performance

- Record second quarter Revenue of $661 million, an increase of $33 million or 5%.
- Adjusted EBITDA of $157 million, representing growth of $10 million over the prior period or 7% and setting another second quarter benchmark for the Corporation.
- Free Cash Flow second quarter record of $101 million compared to the prior period of $98 million.
- Net Earnings of $33 million compared to the prior period of $37 million and Net Earnings per share of $0.69 compared to the prior period of $0.85.
- Adjusted Net Earnings of $38 million compared to the prior period of $43 million and Adjusted Net Earnings per share of $0.80 compared to the prior period of $1.00.
- Free Cash flow less Maintenance Capital Expenditures of $52 million compared to the prior period of $59 million.
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio was 61% compared to the prior period of 57%.
- Executed on the strategic acquisition of Duhamel in June which will accelerate the Environmental Access Solutions strategic growth into Quebec and Eastern Canada.

Revenue generated by the Aerospace & Aviation segment increased by $54 million or 15% to $427 million and Adjusted EBITDA increased by $27 million or 25% to $134 million over the comparative period. The significant drivers of the revenue and profitability increases relate to previous Growth Capital Expenditures related to additional routes, improved load factors, increased flying under the BC medevac contract with temporary aircraft, increases in medevac activity under the new Manitoba contract, increased tempo of flying on owned ISR aircraft, changes in sales mix within the Aerospace business line and continued step-based improvements in our Aircraft Sales & Leasing business line as aircraft and engine leasing continues to strengthen.

Manufacturing segment revenue decreased by $21 million to $234 million for the quarter and Adjusted EBITDA decreased by $14 million to $35 million. These decreases were expected as they were primarily driven by the Environment Access Solutions business line as the comparative period was characterized by the continuation of the alignment of price, demand, supply and weather coupled with a number of rental mats deployed on a long, linear project in Western Canada which was wrapping up in the second quarter of 2023. Our Precision Manufacturing & Engineering business line also experienced a revenue and Adjusted EBITDA decline as certain subsidiaries experienced delays in the start of certain projects which were pushed into later quarters. Lastly, our Multi-Storey Windows Solutions business experienced similar revenues with the prior comparative however Adjusted EBITDA was negatively impacted as the operating efficiencies realized were offset due to delays in certain projects which were pushed into later quarters coupled with increased costs associated with integration activities. We have seen activity levels improving throughout the Manufacturing segment subsequent to the end of the quarter resulting in increased backlog for our Manufacturing segment businesses after quarter end.

During the quarter we also announced the acquisition of Duhamel. This provides a strategic launchpad for our Environmental Access Solutions business line to capture greater market share in Quebec and Eastern Canada where we anticipate significant transmission and distribution industry capital spend with a corresponding need for matting solutions. The transmission and distribution industry requires significant capital investment to meet the future needs of the Canadian economy. This acquisition, while having stand-alone accretive financial metrics, will be a catalyst for future growth in Quebec and Eastern Canada.

When I speak to the Presidents at our operating subsidiaries, there is a common refrain. There are opportunities abound for our various businesses, however the bookings and announcements of "wins" have been delayed due to the economic environment. Our customers are monitoring the geopolitical tensions around the world, the potential impact of election results south of the border and evaluating interest rate expectations. We are starting to see clarity on the interest rate front as the Bank of Canada recently announced two rate cuts. We anticipate that as we move through the third quarter, we will see further resolution of the uncertainties and our customers will begin to confirm additional orders. This will be extremely positive for our Manufacturing segment subsidiaries as they will have greater certainty for the remainder of the year and into 2025. The financial results of our Aerospace & Aviation segment continue to demonstrate the essential nature of their services to our customers. While other airlines have been impacted by passenger yields and capacity, our airlines are providing essential travel services and essential aerospace operations to our customers in Canada and abroad. Our Aerospace & Aviation segment results continue to show that our services are inelastic, and our profitability is predictable due to the nature of our services. This level of predictability underscores why these operations are a perfect fit for our strategic model as they generate consistent cash flows due to the long-term nature of our contracts and the essential services that we provide. Furthermore, we have been able to grow each individual operation over the past 20 years through organic investment in growth capital and we are seeing the yield from our investments made in the past.

Overall, we continue to be very pleased with these overall results, and it sets the foundation for the remainder of the fiscal year. It demonstrated the importance of our diversified model as our Aerospace & Aviation segment posted record second quarter financial metrics and our Manufacturing segment continued to perform as expected considering the economic uncertainties it faced in the second quarter coupled with certain projects which were deferred by our customers into the third and fourth quarters of 2024. These results to date coupled with improved business activity in the latter portion of the quarter should result in the Corporation achieving the mid to upper end of its guidance for fiscal 2024.

Our business lines are complementary to one another and provide consistency whilst the world is experiencing significant macroeconomic and geopolitical uncertainty. This consistency has become a hallmark of EIC and has allowed us to provide a consistent, dependable, and increasing dividend to our shareholders for the past 20 years.

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

Mike Pyle

Chief Executive Officer

August 8, 2024

TABLE OF CONTENTS

1) FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS 9

2) RESULTS OF OPERATIONS 10

3) INVESTING ACTIVITIES 18

4) DIVIDENDS AND PAYOUT RATIOS 21

5) OUTLOOK 23

6) LIQUIDITY AND CAPITAL RESOURCES 25

7) RELATED PARTY TRANSACTIONS 28

8) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 28

9) ACCOUNTING POLICIES 28

10) CONTROLS AND PROCEDURES 28

11) RISK FACTORS 28

12) NON-IFRS FINANCIAL MEASURES AND GLOSSARY 29

13) QUARTERLY INFORMATION 31

14) FINANCIAL STATEMENTS AND NOTES 32

PREFACE

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

EXCHANGE INCOME CORPORATION

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

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

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

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

Segment Summary

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

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

Aerospace & Aviation Segment

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

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

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

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

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

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

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

Aircraft Sales & Leasing includes aftermarket aircraft, engine and parts sales and aircraft and engine leasing along with aircraft management services. Our subsidiaries specialize in regional and commuter aircraft, and seek to monetize their portfolio over the full life cycle of the asset. Our subsidiaries are not typical finance lessors; rather, assets are leased for shorter durations to consume the available green time on those assets. Once the green time has been consumed, the assets can then either be overhauled and leased out again, or torn down into piece parts and sold to airlines around the world to generate further cash flows. Revenue streams include

selling whole aircraft, engines and components of those assets, leasing of aircraft and engines and fee income earned through the provision of services for third parties such as asset management or consignment sales. Our expertise in understanding the value of each component of an aircraft and the anticipated demand for those components, including the next major shop visits and next major overhaul event for each platform we specialize in, provides a competitive advantage on what to buy and what to pay.

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

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

Manufacturing Segment

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

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

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

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

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

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

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

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

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

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

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

1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

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

FINANCIAL PERFORMANCE	2024	per share basic	per share diluted	2023	per share basic	per share diluted
For the three months ended June 30						
Revenue	**$ 660,575**			$ 627,222		
Adjusted EBITDA[1]	**157,045**			147,036		
Net Earnings	**32,648**	**$ 0.69**	**$ 0.67**	36,896	$ 0.85	$ 0.80
Adjusted Net Earnings[1]	**37,662**	**0.80**	**0.77**	43,480	1.00	0.93
Free Cash Flow[1]	**100,502**	**2.13**	**1.88**	98,002	2.25	1.96
Free Cash Flow less Maintenance Capital Expenditures[1]	**52,322**	**1.11**	**1.02**	58,592	1.34	1.21
Dividends declared	**31,275**	**0.66**		27,809	0.63	
For the six months ended June 30						
Revenue	**$ 1,262,344**			$ 1,154,066		
Adjusted EBITDA[1]	**268,096**			244,153		
Net Earnings	**37,176**	**$ 0.79**	**$ 0.77**	43,757	$ 1.02	$ 1.00
Adjusted Net Earnings[1]	**47,236**	**1.00**	**0.98**	55,020	1.28	1.25
Free Cash Flow[1]	**162,433**	**3.44**	**3.07**	157,710	3.66	3.23
Free Cash Flow less Maintenance Capital Expenditures[1]	**74,915**	**1.58**	**1.52**	77,515	1.80	1.69
Dividends declared	**62,446**	**1.32**		54,614	1.26	
Trailing Twelve months as at June 30						
Adjusted Net Earnings payout ratio[1]		**90%**			75%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio[1]		**61%**			57%	
FINANCIAL POSITION	**June 30, 2024**			December 31, 2023		
Working capital	**$ 512,965**			$ 540,720		
Capital assets	**1,639,386**			1,571,067		
Total assets	**4,183,986**			4,079,807		
Long-term debt	**1,566,236**			1,422,642		
Equity	**1,255,730**			1,245,473		
SHARE INFORMATION	**June 30, 2024**			December 31, 2023		
Common shares outstanding	**47,484,831**			47,136,625		
	June 30, 2024			June 30, 2023		
Weighted average shares outstanding during the period - basic	**47,277,581**			43,086,401		

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

SIGNIFICANT EVENTS

Normal Course Issuer Bid ("NCIB")

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

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,373 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal

amount, other than block purchase exceptions, limited to $646, $711, $1,212, and $1,628, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

Credit Facility Upsize and Extension

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

Acquisition of Armand Duhamel & Fils Inc.

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

2. RESULTS OF OPERATIONS

Three Month Results

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

	Three Months Ended June 30, 2024			
	Aerospace & Aviation	Manufacturing	Head Office [(2)]	Consolidated
Revenue	$ 426,922	$ 233,653	$ -	$ 660,575
Expenses [(1)]	292,525	198,627	12,378	503,530
Adjusted EBITDA	134,397	35,026	(12,378)	157,045
Depreciation of capital assets				61,785
Amortization of intangible assets				5,593
Finance costs – interest				31,703
Depreciation of right of use assets				9,711
Interest expense on right of use lease liabilities				2,048
Acquisition costs				1,244
Earnings before income taxes				44,961
Current income tax expense				13,899
Deferred income tax recovery				(1,586)
Net Earnings				$ 32,648
Net Earnings per share (basic)				$ 0.69
Adjusted Net Earnings				$ 37,662
Adjusted Net Earnings per share (basic)				$ 0.80

				Three Months Ended June 30, 2023
	Aerospace & Aviation	Manufacturing	Head Office [2]	Consolidated
Revenue	$ 372,361	$ 254,861	$ -	$ 627,222
Expenses [1]	264,670	205,821	9,695	480,186
Adjusted EBITDA	107,691	49,040	(9,695)	147,036
Depreciation of capital assets				50,032
Amortization of intangible assets				5,432
Finance costs – interest				28,158
Depreciation of right of use assets				8,579
Interest expense on right of use lease liabilities				1,738
Acquisition costs				2,603
Earnings before income taxes				50,494
Current income tax expense				9,814
Deferred income tax expense				3,784
Net Earnings				$ 36,896
Net Earnings per share (basic)				$ 0.85
Adjusted Net Earnings				$ 43,480
Adjusted Net Earnings per share (basic)				$ 1.00

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

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

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

On a consolidated basis, the Corporation generated revenue of $661 million, an increase of $33 million, or 5% over the prior period. The increase was driven by the Aerospace & Aviation segment increasing by $54 million over the prior period, partially offset by the Manufacturing segment which decreased by $21 million from the prior period.

Adjusted EBITDA of $157 million was generated by the Corporation during the period, an increase of $10 million or 7% over the prior period. The increase was attributable to the Aerospace & Aviation segment increasing by $27 million over the prior period offset by a decrease in the Manufacturing segment by $14 million from the prior period. Head Office costs increased by $3 million over the prior period which is attributed to the expanded Atik Mason Pilot Pathway in Rankin Inlet, increased expenditures in information technology and cybersecurity, and increased compensation expense.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $54 million or 15% to $427 million.

Revenue within Essential Air Services increased 13% over the prior period. This was driven by a number of factors including increased passenger demand attributable to higher average load factors and the positive impact of expanded routes on the East Coast, including routes flown on behalf of Air Canada. Revenues under medevac operations also increased, primarily attributed to the Manitoba Critical Care Contract and the expanded scope under the BCEHS contract. For the BCEHS contract, revenue increased over the prior period as we began service under the new contract with temporary aircraft as we have experienced delivery delays on the new aircraft. Within our rotary wing operations, firefighting activity was lower in the second quarter of 2024. We expect solid contributions from firefighting activity in the third quarter as there are a number of active fires across Canada.

Revenue within Aircraft Sales & Leasing increased by 39% over the prior period. The increase is attributable to continued improvement in leasing activity in the period as run rates continue to progress towards pre-COVID levels. Large asset sales represented a higher proportion of sales mix during the period as we experienced more sales of larger assets than in the prior period. Large asset sales can fluctuate quarter to quarter and are generally higher dollar transactions with lower margins. Lease revenue for the period was $18 million (2023 – $13 million)

and Sales and Service revenue, which is the total revenue from all other streams in this business line other than leasing revenue, was $78 million (2023 – $56 million).

Revenue within Aerospace was flat to the prior period primarily due to the high flying tempo on the United Kingdom Home-Office Contract that was awarded in May 2023. In addition, an increase in tempo of flying in the Netherlands positively contributed to revenue in the period. The impact from these increases was offset by a reduction in revenue in our training business.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased by $27 million or 25% to $134 million.

Adjusted EBITDA within Essential Air Services increased by 13% over the prior period. The increases in revenue discussed above drove increases in Adjusted EBITDA. Investments previously made in our fleets are now starting to produce the returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 60% 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. While large asset sales are generally higher revenue, lower margin transactions, an increase in large asset sales during the period also contributed to increasing Adjusted EBITDA.

Adjusted EBITDA within Aerospace increased 33% over the prior period. The increase is attributable to increased ISR flying, the new United Kingdom Home-Office Contract and higher Adjusted EBITDA margins within the Corporation's training business during the quarter. The percentage increase in Adjusted EBITDA outpaced the percentage change in revenue due to a change in product mix in the training business and the higher capital intensity nature of ISR flying revenue as the capital cost is recognized as an expense through depreciation.

Manufacturing Segment

The Manufacturing segment revenue decreased by $21 million or 8% from the prior period to $234 million.

Revenue within the Environmental Access Solutions decreased by 28% from the prior period. Both the current and prior period experienced dry spring conditions along with increased instances of forest fires, decreasing the demand for temporary roads and bridges. However, a long linear project in the prior period resulted in a significant number of rental mats being deployed compared to the current period. As this large project started to wind down in the prior period, we expected that the second quarter of 2024 would be a slower period compared to 2023. The drought conditions that persisted during the period lessened the demand for mat rentals as crews were able to access job sites in certain markets without the use of temporary roads and bridges. In response to forecasted demand, Environmental Access Solutions has embarked on an expansion of its mat fleet using its integrated in-house manufacturing capabilities.

Revenue within Multi-Storey Window Solutions was consistent with the prior period. The Corporation acquired BVGlazing on May 1, 2023, for which there is only a partial comparative to the prior period. The impact from the addition of BVGlazing was offset by inefficiencies created by project delays.

Revenue within Precision Manufacturing & Engineering decreased 8% from the prior period. The decrease is primarily attributed to declines in revenue at our pre-existing businesses related to a variety of factors including certain customers delaying large capital projects and general economic uncertainty delaying certain orders. For example, our tower business has received large orders starting construction in the third quarter that were initially planned for the second quarter. In the US, as we have seen in previous election cycles, certain customers have put spending on hold. This decline was partially offset by the acquisition of DryAir on October 5, 2023, with no comparative in the prior period.

Adjusted EBITDA in the Manufacturing segment decreased by $14 million or 29% to $35 million for the period.

Adjusted EBITDA margins were lower than the prior period for several reasons. First, DryAir, which was acquired in the fourth quarter of 2023, has significant seasonality, and, as a result, contributed negative Adjusted EBITDA in the period. Second, product mix within this segment negatively impacted Adjusted EBITDA margins. The long linear project within Environmental Access Solutions that started to wind down in the prior period generated significantly higher rental revenue, which generates very high Adjusted EBITDA margins. As discussed previously, this level of activity was outside the norm and returned to a more normal cadence in the current period. Finally, within Multi-Story Window Solutions, product mix towards third party installations generated lower Adjusted EBITDA margins, coupled with increased costs associated with integration activities.

Adjusted EBITDA within Environmental Access Solutions decreased by 35% from the prior period. Adjusted EBITDA declined for the same reasons as discussed in the revenue section above. In addition, in the prior period, the proportion of revenue related to rental mats was

higher than in the current period for reasons discussed above. This change in product mix resulted in Adjusted EBITDA declining at a faster rate than revenue, since rental revenue carries a much higher margin.

Adjusted EBITDA within Multi-Storey Window Solutions decreased by 35% from the prior period. The current period results include the acquisition of BVGlazing on May 1, 2023, with only a partial prior period comparative. The Adjusted EBITDA decrease is attributed to a change in product mix, operational inefficiencies driven by project delays and the strategic decision to retain experienced staff to allow us to meet increased demand in the future as projects that are currently on hold are awarded.

Adjusted EBITDA within Precision Metal & Engineering decreased 17% from the prior period, primarily due to a change in sales mix between entities, and the impact of customers deferring capital spend during the period. As discussed above, DryAir experiences significant seasonality, with their strongest results in the third and fourth quarters. Consistent with our expectation, their Adjusted EBITDA contribution was negative in the second quarter of 2024, with no comparative in the prior period. The first and second quarters are seasonally slow for DryAir as they contribute all of their Adjusted EBITDA in the third and fourth quarters.

NET EARNINGS

Three Months Ended June 30,	**2024**	2023
Net Earnings	**$ 32,648**	$ 36,896
Net Earnings per share	**$ 0.69**	$ 0.85

Net Earnings was $33 million, a decrease of $4 million or 12% from the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, but this increase was offset by two items. First, interest costs increased over the prior period by $4 million due to the increased benchmark borrowing rates as well as an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Second, depreciation on capital assets increased $12 million over the prior period due to investment in Growth Capital Expenditures, increased levels of flying and the acquisition activity of the Corporation.

Income tax expense decreased by $1 million from the comparative period while the Corporation's effective rate of tax remained at 27% in both the current and prior periods. Current income tax expense was higher than the comparative period due to reduced accelerated depreciation for tax purposes in Canada and the US in the current period, the impact of interest limitation legislation in the US, and the availability of tax losses in certain operating subsidiaries in the comparative period.

Net Earnings per share decreased by 19% from the prior period to $0.69. The weighted average number of shares increased by 9% which reduced Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

Three Months Ended June 30,	**2024**	2023
Net Earnings	**$ 32,648**	$ 36,896
Acquisition costs (net of tax $341 and $35)	**903**	2,568
Amortization of intangible assets (net of tax $1,482 and $1,416)	**4,111**	4,016
Adjusted Net Earnings	**$ 37,662**	$ 43,480
per share – Basic	**$ 0.80**	$ 1.00
per share – Diluted	**$ 0.77**	$ 0.93

Adjusted Net Earnings was $38 million, a decrease of $6 million or 13% from the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $4 million in intangible asset amortization and $1 million in acquisition costs (all net of tax). Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Adjusted Net Earnings per share decreased 20% from the prior period to $0.80. The weighted average number of shares increased by 9%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

FREE CASH FLOW	Three Months Ended June 30,	2024	2023
Cash flows from operations		$ 40,529	$ 76,986
Change in non-cash working capital		68,491	27,559
Acquisition costs (net of tax $341 and $35)		903	2,568
Principal payments on right of use lease liabilities		(9,421)	(9,111)
		$ 100,502	$ 98,002
per share – Basic		$ 2.13	$ 2.25
per share – Diluted		$ 1.88	$ 1.96

The Free Cash Flow generated by the Corporation during the period was $101 million, an increase of $3 million or 3% over the prior period. The increase in Adjusted EBITDA of $10 million is the primary reason for the increase in Free Cash Flow for the period. This was partially offset by increases in cash interest and cash taxes paid and to a lesser extent, an increase in principal payments on right of use assets. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis decreased 5% from the prior period to $2.13. The weighted average number of shares increased by 9%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. These contracts require upfront capital investment with returns to follow in future periods. Further details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

Six Month Results

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

	Six Months Ended June 30, 2024			
	Aerospace & Aviation	**Manufacturing**	**Head Office [2]**	**Consolidated**
Revenue	$ 795,436	$ 466,908	$ -	$ 1,262,344
Expenses [1]	567,001	404,831	22,416	994,248
Adjusted EBITDA	228,435	62,077	(22,416)	268,096
Depreciation of capital assets				117,099
Amortization of intangible assets				11,171
Finance costs – interest				61,518
Depreciation of right of use assets				19,393
Interest expense on right of use liabilities				4,032
Acquisition costs				2,549
Earnings before taxes				52,334
Current income tax expense				21,733
Deferred income tax recovery				(6,575)
Net Earnings				$ 37,176
Net Earnings per share (basic)				$ 0.79
Adjusted Net Earnings				$ 47,236
Adjusted Net Earnings per share (basic)				$ 1.00

		Six Months Ended June 30, 2023		
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 698,290	$ 455,776	$ -	$ 1,154,066
Expenses (1)	516,792	374,591	18,530	909,913
Adjusted EBITDA	181,498	81,185	(18,530)	244,153
Depreciation of capital assets				97,540
Amortization of intangible assets				10,229
Finance costs – interest				53,877
Depreciation of right of use assets				16,706
Interest expense on right of use lease liabilities				3,329
Acquisition costs				3,968
Other				(951)
Earnings before taxes				59,455
Current income tax expense				12,899
Deferred income tax expense				2,799
Net Earnings				$ 43,757
Net Earnings per share (basic)				$ 1.02
Adjusted Net Earnings				$ 55,020
Adjusted Net Earnings per share (basic)				$ 1.28

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

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

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

On a consolidated basis, the Corporation generated revenue of $1,262 million, an increase of $108 million, or 9% over the prior period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $97 million over the prior period and the Manufacturing segment increasing by $11 million over the prior period.

Adjusted EBITDA of $268 million was generated by the Corporation during the period, an increase of $24 million or 10% over the prior period. The increase was attributable to the Aerospace & Aviation segment which increased by $47 million over the prior period, partially offset by a decrease in the Manufacturing segment of $19 million from the prior period. Head Office costs increased $4 million over the prior period primarily due to increased investments in cybersecurity, expansion of the Atik Mason Pilot Pathway program into Rankin Inlet, and increased compensation expense.

The Corporation's first quarter is the most seasonally challenging as demand within Essential Air Services and Environmental Access Solutions are seasonally slowest in the first quarter. For Essential Air Services, winter roads into Northern communities lessen demand. For Environmental Access Solutions, colder weather reduces demand for access solutions due to lower potential risk of environmental impact when the ground is frozen. The colder weather also generally results in a seasonal slowdown in large infrastructure projects across Canada. In addition, DryAir, acquired in October 2023, contributes all of its Adjusted EBITDA in the third and fourth quarters of the year, with the first half of the year historically generating negative Adjusted EBITDA.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $97 million or 14% to $795 million.

Revenue within Essential Air Services increased 16% over the prior period. The increase is primarily attributable to higher average load factors and the positive impact of expanded routes on the East Coast, including routes flown on behalf of Air Canada. Revenues under medevac operations have also increased, primarily attributed to the commencement of the Manitoba Critical Care Contract partway through the first quarter, and the benefit of expanded scope under the new BCEHS contract. For the BCEHS contract, revenue increased over the prior period as we began service under the new contract with temporary aircraft as we have experienced delivery delays on the new aircraft. Within our rotary wing operations, firefighting activity was lower in the second quarter of 2024. We expect solid contributions from firefighting activity in the third quarter as there are a number of active fires across Canada.

Revenue within Aircraft Sales & Leasing increased 26% from the prior period. The increase is attributable to continued improvement in leasing activity in the period as run rates continue to progress towards pre-COVID levels. Large asset sales represented a higher proportion of sales mix during the period as we experienced more sales of larger assets than in the prior period. Large asset sales can fluctuate quarter to quarter and are generally higher dollar transactions with lower margins. Leasing revenue during the period was $35 million (2023 - $23 million) and Sales and Service revenue, which is the total revenue from all other streams in the business line other than leasing revenue, was $128 million (2023 - $107 million).

Revenue within Aerospace increased 1% over the prior period. The increase in revenue is primarily attributed to the United Kingdom Home-Office Contract that was awarded in May 2023. In addition, an increase in tempo of flying in the Netherlands positively contributed to revenue in the period. These increases were mostly offset by a reduction in revenue in our training business.

Adjusted EBITDA generated by the Aerospace & Aviation segment increased $47 million or 26% to $228 million for the period.

Adjusted EBITDA within Essential Air Services increased 17% over the prior period. The increases in revenue discussed above contributed to increases in Adjusted EBITDA. Investments made previously in our fleets of fixed wing aircraft are starting to produce the returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 43% from 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. The increase in large asset sales discussed above contributed positively to Adjusted EBITDA during the period. Consistent with management's expectations, leasing revenues, which generate higher margins as compared to sales and service revenues, are continuing to increase as more assets are being deployed and run-rates return to pre-COVID levels.

Adjusted EBITDA within Aerospace increased 36% over the prior period. The increase is attributable to increased ISR flying, the new United Kingdom Home-Office contract, and higher Adjusted EBITDA margins within the Corporation's training business. The percentage increase in Adjusted EBITDA outpaced the percentage increase in revenue due to a change in product mix in the training business and the higher capital intensity nature of ISR flying revenue as the capital cost is recognized as an expense through depreciation.

Manufacturing Segment

The Manufacturing segment revenue increased by $11 million or 2% over the prior period to $467 million.

Revenue generated within Environmental Access Solutions decreased by 32% from the prior period. The prior period experienced significant demand for mat and bridge rentals as long linear projects and milder weather that is more conducive to activity requiring mat usage resulted in a significant number of rental mats being deployed. The prior period demand was outside of the norm with respect to seasonality traditionally experienced within this business. As this large project started to wind down in the second quarter of 2023, we have consistently messaged that we expected this business to return to more normal seasonality. In the current period, drought conditions lessened the demand for mat supply as crews were able to access job sites in certain markets without the use of temporary roads and bridges. Increased instances of forest fires impacted the demand for mat supply as job sites became inaccessible. In response to forecasted demand, Environmental Access Solutions has embarked on an expansion of its mat fleet using its integrated in-house manufacturing capabilities.

Revenue generated within Multi-Storey Window Solutions increased 28% over the prior period. The Corporation acquired BVGlazing on May 1, 2023, for which there is a partial comparative in the prior period, driving the increase in revenue. The impact from the addition of BVGlazing was partially offset by inefficiencies created by project delays.

Revenue generated within Precision Manufacturing & Engineering decreased 4% from the prior period. DryAir was acquired on October 5, 2023, with no comparative in the prior period. This increase, however, was offset by declines in revenue at our pre-existing businesses caused by a variety of macroeconomic factors which has led to customers delaying large capital projects. For example, our tower business has received large orders starting construction in the third quarter that were initially planned for the second quarter. In the US, as we have seen in previous election cycles, certain customers have put spending on hold.

The Manufacturing segment Adjusted EBITDA decreased by $19 million or 24% from the prior period to $62 million.

Adjusted EBITDA margins were lower than the prior period for several reasons. First, DryAir, which was acquired in the fourth quarter of 2023, has significant seasonality, and, as a result, contributed negative adjusted EBITDA in the period. Second, product mix within this segment negatively impacted Adjusted EBITDA margins. The long linear project within Environmental Access Solutions that started to wind down in the prior period generated significantly higher rental revenue, which generates very high Adjusted EBITDA margins. As discussed

previously, this was an anomoly and returned to a more normal cadence in the current period. Finally, within Multi-Story Window Solutions, a shift in product mix towards third party installations generated lower Adjusted EBITDA margins.

Adjusted EBITDA within Environmental Access Solutions decreased 41% from the prior period. Adjusted EBITDA declined for the same reasons as discussed in the revenue section above. In addition, in the prior period, the proportion of revenue related to rental mats was higher than in the current period for reasons discussed above. This change in product mix resulted in Adjusted EBITDA declining at a faster rate than revenue, since rental revenue carries a much higher Adjusted EBITDA margin.

Adjusted EBITDA within Multi-Storey Window Solutions increased 23% over the prior period due to the acquisition of BVGlazing in 2023. The impact from the acquisition of BVGlazing was partially offset by a product mix shift towards lower Adjusted EBITDA margin third party installations, operational inefficiencies driven by project delays and the impact of the strategic decision to retain experienced staff to allow us to meet increased demand in the future as projects that are currently on hold are awarded, and increased costs associated with integration activities.

Adjusted EBITDA within the Precision Manufacturing & Engineering decreased 18% from the prior period primarily due to a change in sales mix between entities, in addition to customers deferring capital spend during the period. As discussed above, DryAir experiences significant seasonality, with their strongest results in the third and fourth quarters. The first and second quarters are seasonally slow for DryAir as they contribute all of their Adjusted EBITDA in the third and fourth quarters. Consistent with our expectation, their Adjusted EBITDA contribution was negative during the period, with no comparative in the prior period.

NET EARNINGS

Six Months Ended June 30,		**2024**		2023
Net Earnings	**$**	**37,176**	$	43,757
Net Earnings per share	**$**	**0.79**	$	1.02

Net Earnings was $37 million, an decrease of $7 million or 15% from the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, but this increase was offset by several items. First, a gain on contingent consideration of $1 million in the prior period did not recur in 2024. Second, interest costs increased over the prior period by $8 million due to the increased benchmark borrowing rates as well as an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Third, depreciation on capital assets increased $20 million over the prior period due to the acquisition activity and investment in Growth Capital Expenditures. Finally, an increase in amortization of intangible assets from the Corporation's 2023 acquisition activity decreased Net Earnings.

Income tax expense decreased from the prior period while the Corporation's effective tax rate increased to 29% from 26% primarily as a result of three factors. First, in the prior period, the Corporation generated a $1 million gain on remeasurement of contingent consideration which was not subject to tax and reduced the effective tax rate in the prior period. Second, a greater portion of pre-tax earnings was generated in higher tax jurisdictions than in the prior period. Finally, the impact of the introduction of Global Minimum Tax legislation increased tax expense in the current period. Current tax expense was higher than the prior period due to higher pre-tax earnings in higher tax rate jurisdictions, reduced accelerated depreciation for tax purposes in Canada and the US, the impact of interest limitation legislation in the US, and to a lesser extent, the impact of the Global Minimum Tax legislation.

Net Earnings per share decreased by 23% from the prior period to $0.79. The weighted average number of shares increased by 10%, which reduced Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

Six Months Ended June 30,		2024		2023
Net Earnings	**$**	**37,176**	$	43,757
Acquisition costs (net of tax $700 and $223)		**1,849**		3,745
Amortization of intangible assets (net of tax $2,960 and $2,711)		**8,211**		7,518
Adjusted Net Earnings	**$**	**47,236**	$	55,020
per share – Basic	**$**	**1.00**	$	1.28
per share – Diluted	**$**	**0.98**	$	1.25

Adjusted Net Earnings was $47 million, a decrease of $8 million or 14% from the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $8 million in intangible asset amortization and $2 million in acquisition costs (all net of tax). Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary.*

Adjusted Net Earnings per share decreased by 22% to $1.00 from the prior period. The weighted average number of shares increased by 10%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

FREE CASH FLOW Six Months Ended June 30,		2024		2023
Cash flows from operations	**$**	**91,506**	$	66,212
Change in non-cash working capital items		**87,576**		105,138
Acquisition costs (net of tax $700 and $223)		**1,849**		3,745
Principal payments on right of use lease liabilities		**(18,498)**		(17,385)
	$	**162,433**	$	157,710
per share – Basic	**$**	**3.44**	$	3.66
per share – Diluted	**$**	**3.07**	$	3.23

The Free Cash Flow generated by the Corporation during the period was $162 million, an increase of $5 million, or 3% over the prior period. The primary reason for this increase is the $24 million increase in Adjusted EBITDA, which was partially offset by increases in cash interest and current taxes, and to a lesser extent, an increase in principal payments on right of use assets. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Free Cash Flow on a basic per share basis decreased 6% from the prior period to $3.44. The weighted average number of shares increased by 10%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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

3. INVESTING ACTIVITIES

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

ACQUISITIONS

Armand Duhamel & Fils Inc.

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

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

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

CAPITAL EXPENDITURES

	Three Months Ended June 30, 2024							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	40,805	$	7,276	$	99	$	48,180
Growth Capital Expenditures		38,546		6,244		10		44,800
	$	79,351	$	13,520	$	109	$	92,980

	Three Months Ended June 30, 2023							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	33,081	$	6,034	$	295	$	39,410
Growth Capital Expenditures		69,985		15,967		-		85,952
	$	103,066	$	22,001	$	295	$	125,362

	Six Months Ended June 30, 2024							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	75,398	$	11,840	$	281	$	87,519
Growth Capital Expenditures		83,690		425		10		84,125
	$	159,088	$	12,265	$	291	$	171,644

	Six Months Ended June 30, 2023							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	68,625	$	11,208	$	362	$	80,195
Growth Capital Expenditures		106,592		13,771		-		120,363
	$	175,217	$	24,979	$	362	$	200,558

Maintenance Capital Expenditures for the six month period ended June 30, 2024, increased by $7 million or 9% over the prior period. The increase in the Aerospace & Aviation segment was $7 million while the Manufacturing segment was consistent with the prior period. Maintenance Capital Expenditures for the Corporation's Essential Air Services have historically been weighted more towards the first half of the year as heavy checks, overhauls, and engine maintenance events are scheduled at a time when demand is lowest. With a larger fleet, we are more easily able to share aircraft across our organization if maintenance events occur during an operationally busier time of year. As the size of our fleet has increased, maintenance schedules have become more equally distributed through the entire year than we would have experienced historically. Maintenance Capital Expenditures for the Manufacturing segment can vary from period to period due to the capital required to maintain production equipment, with the exception of Maintenance Capital Expenditures for the Environmental Access Solutions rental portfolio, which is calculated using depreciation as a proxy.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for Essential Air Services for the three and six months ended June 30, 2024, were $34 million and $60 million, respectively, an increase of 40% and 19%, respectively, over the prior period. The second quarter of 2023 saw unseasonably low investment in Maintenance Capital Expenditures based on the timing of events. The segment continued to experience headwinds caused by parts inflation and increased labour rates. In addition, as the Corporation has invested to meet increased demand over the last number of years, our fleet size has increased, necessitating additional Maintenance Capital Expenditures. Overall, the current Maintenance Capital Expenditures are in line with expectations. Growth Capital Expenditures for the three and six months ended June 30, 2024, within Essential Air Services, were $27 million and $43 million, respectively. This includes investments made in aircraft and infrastructure for the Carson Air

medevac contract, investment in aircraft for the Manitoba medevac contract, continued investment for the acquisition of a full motion King Air simulator, and construction of the facility to house the simulator along with the construction of the Gary Filmon Indigenous Terminal.

Maintenance Capital Expenditures for Aerospace for the three and six months ended June 30, 2024, were $4 million and $10 million, respectively, an increase of 34% and 24%, respectively, over the prior period. An increased number of heavy checks and overhauls to support increased levels of flying and higher overhaul costs experienced by the business due to inflationary pressures and labour costs both drove the increase. Growth Capital Expenditures for the three and six months ended June 30, 2024 were $5 million and $20 million, respectively, which relates to the purchase of a previously leased hangar for our European operations, the purchase of an additional aircraft for modification into a surveillance platform to assist with our United Kingdom Home-Office contract bid, and the preparation of aircraft for the upgrade of the surveillance aircraft for the expanded Curaçao contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing for the three and six months ended June 30, 2024, were $2 million and $5 million, respectively, a decrease of 58% and 50%, respectively, from the prior period. Investments made in the current period relate to the preparation of assets that will be put on lease in the coming quarters. The current period experienced stronger demand for leased assets over the prior period. As demand for leased assets recovers, certain aircraft and engines within the lease portfolio will be deployed. Growth Capital Expenditures for the three and six months ended June 30, 2024, were $6 million and $21 million, respectively. Assets were purchased during the quarter have either already been placed on lease or will be placed on lease in coming quarters. Aircraft added during the period were of higher value than those disposed of during the period and additional investment in assets recently purchased were made to prepare those assets for lease, both which resulted in Growth Capital Expenditures during the period despite the number of assets staying constant. It is complete happenstance that the number of aircraft and engines are the same at June 30, 2024 as they were at December 31, 2023 as many aircraft and engines were acquired and disposed of during this period.

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

Regional One Lease Portfolio	**June 30, 2024**		December 31, 2023	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**51 (1)**	**125**	51 (1)	125

Note 1) The aircraft total above includes 8 airframes (December 31, 2023 – 8 airframes) that do not have engines and will be leased out in conjunction with engines owned by Aero Engines LLC, the joint venture between the Corporation and SkyWest.

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

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

The Corporation continues to record Maintenance Capital Expenditures as cash outflows associated with maintaining the fleet and Growth Capital Expenditures as all purchases of assets, net of disposals and transfers to inventory. Because the timing between the removal of assets from the lease portfolio and the replacement of those assets can vary quarter to quarter, it is possible that negative Growth Capital

Expenditures may arise in a particular quarter. However, it is not expected that negative Growth Capital Expenditures would consistently occur over a longer period as it is the Corporation's intention to continue to maintain or grow the lease portfolio.

Manufacturing Segment

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

For the three and six months ended June 30, 2024, Maintenance Capital Expenditures for Environmental Access Solutions was $6 million and $10 million, respectively, an increase of 27% and 7%, respectively, over the prior period. For the three and six months ended June 30, 2024, Growth Capital Expenditures were $5 million and negative $1 million, respectively. Growth capital expenditures of $5 million during the second quarter mostly offset negative Growth Capital expenditures of $6 million in the first quarter. During the first quarter, Environmental Access Solutions took advantage of an opportunity to sell some mats in its fleet in response to customer demand. During the second quarter, investments were made to build new mats for the rental fleet.

For the three and six months ended June 30, 2024, Multi-Storey Window Solutions had Maintenance Capital Expenditures of less than $1 million and $1 million, respectively, which was consistent with the prior period. Growth Capital Expenditures for the three and six months ended June 30, 2024, were $1 million and $1 million, respectively. Investments were made in the quarter in new equipment to expand our capabilities to meet future market demand.

For the three and six months ended June 30, 2024, Precision Manufacturing & Engineering had Maintenance Capital Expenditures of $1 million and $1 million, respectively, which was consistent with the prior period. Growth Capital Expenditures for the three and six months ended June 30, 2024 were less than $1 million and less than $1 million, respectively. The Growth Capital Expenditures were investments in new equipment to enhance our ability to meet increasing customer demand and create efficiencies that started to come to fruition in the latter part of the quarter.

INVESTMENT IN WORKING CAPITAL

During the six months ended June 30, 2024, the Corporation invested $88 million into working capital to support several growth initiatives and increased revenues, as discussed further below. As previously disclosed in our year-end report, a portion of the investment during the period relates to a receivable collected in advance for which a corresponding payable of approximately $30 million was settled in early January 2024. In the prior period a similar transaction occurred where a payable of approximately $80 million was settled in the first quarter of 2023 for a receivable collected in late 2022. The remaining investment relates to the impact of increased business volumes and timing as discussed further below.

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

During 2024, there has been investment in accounts receivable and amounts due from customers on construction contracts. This investment in working capital in the second quarter was higher than we have seen historically and we expect the majority of the second quarter investment to be converted to cash by the end of the year and not become a permanent increase to our overall working capital. Certain government receivables are behind our historical collection patterns and are expected to be brought in line with historical days outstanding before the end of the year. The third quarter is our busiest quarter and could require some investment, most of which will also be converted to cash by the end of the year.

Further details of the investment in working capital are included in Note 16 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

4. DIVIDENDS AND PAYOUT RATIOS

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

Dividends

Month	Record date	Per Share	2024 Dividends Amount	Record date	Per Share	2023 Dividends Amount
January	January 31, 2024	$ 0.22	$ 10,380	January 31, 2023	$ 0.21	$ 8,927
February	February 29, 2024	0.22	10,389	February 28, 2023	0.21	8,933
March	March 29, 2024	0.22	10,402	March 31, 2023	0.21	8,945
April	April 30, 2024	0.22	10,410	April 28, 2023	0.21	8,968
May	May 31, 2024	0.22	10,419	May 31, 2023	0.21	9,067
June	June 28, 2024	0.22	10,446	June 30, 2023	0.21	9,774
Total		$ 1.32	$ 62,446		$ 1.26	$ 54,614

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

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

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

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

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

Payout Ratios

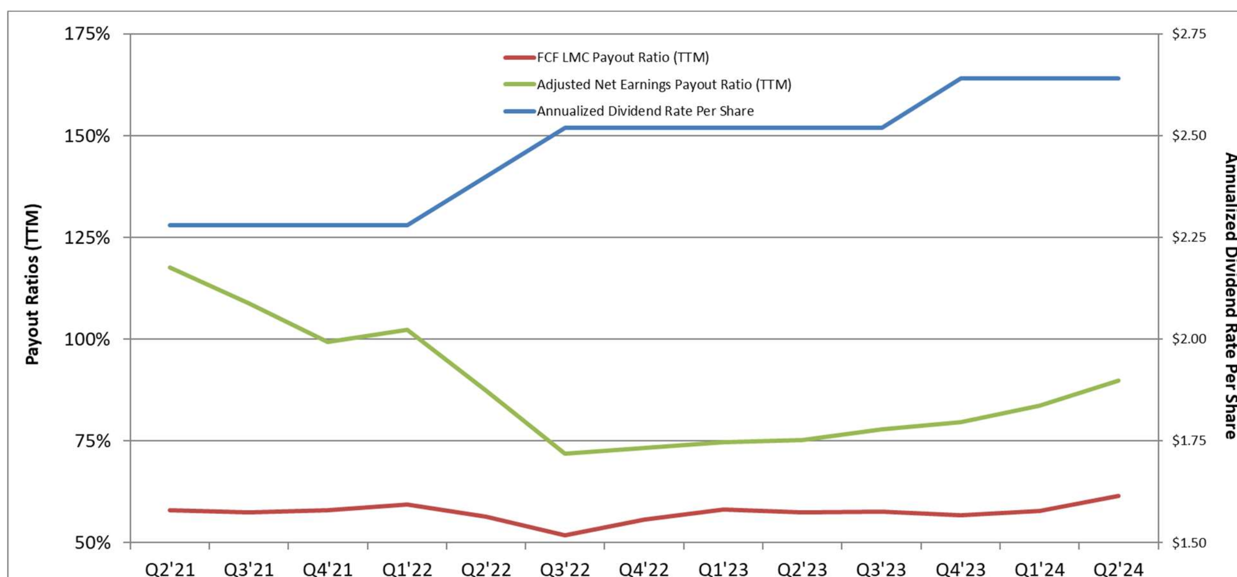
Basic per Share Payout Ratios for the Corporation	**2024**		2023	
Periods Ended June 30	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**83%**	**90%**	63%	75%
Free Cash Flow less Maintenance Capital Expenditures	**59%**	**61%**	47%	57%

The trailing twelve month Adjusted Net Earnings payout ratio was 90% at June 30, 2024 compared to 75% at June 30, 2023 primarily due to increased interest costs and depreciation, reducing Adjusted Net Earnings from the prior period. The increase in interest costs is driven by increases in benchmark borrowing rates over the period, while depreciation is driven by investment in Growth Capital Expenditures. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 61% at June 30, 2024 compared to 57% at

June 30, 2023 and was also impacted by interest rate increases. 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 second quarter was a continuation that demonstrated the execution by the subsidiary management teams on contractual wins which were evident by the Corporation setting several records on key financial metrics. Those organic growth initiatives, specifically the Aerospace and Aviation contractual wins, will continue to ramp and drive profitability throughout the remainder of 2024, into 2025 and beyond. For the purposes of the Outlook, we will provide a high-level overview of the seasonality of the business along with qualitative discussions regarding our segment expectations for the third quarter and the remainder of 2024.

Seasonality

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

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

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

Outlook by Segment

Our Manufacturing segment revenue in the third quarter and for the remainder of the year is expected to improve due to the normalization of year over year comparatives for Environmental Access Solutions, window production on contracts that were deferred in the Multi-Storey Windows Solutions business line and the acquisitions of DryAir and Duhamel in October 2023 and June 2024, respectively. Our Manufacturing segment profitability is expected to be higher than during the third quarter of the prior year due to the factors described above. Our Environmental Access Solutions business line is expected to generate returns consistent with fiscal 2023 for the remainder of the year assuming normal amounts of precipitation and no abnormal impacts to operations due to wildfires. We expect our Precision Manufacturing & Engineering business line to generate greater returns than the third quarter of 2023 due to organic growth coupled with the acquisition of DryAir which did not have a comparative for the prior year. Our Multi-Storey Window Solutions business line returns for the third quarter are expected to be consistent with the prior period as operating efficiencies at our plants are offset by additional costs related to the continued integration of the businesses. Our Manufacturing businesses collectively are seeing a significant number of inquiries, however the conversion to bookings is comparatively slower than in the past due to high interest rates, economic uncertainty and geopolitical concerns impacting business confidence. As the high interest rates continue to abate through recent interest rate reductions, we anticipate seeing an increase in the bookings and opportunities for continued revenue and profitability expansion into the future. In fact, we have experienced early evidence of this trend over the last six weeks with significantly increased bookings.

On a longer-term basis, we believe our Manufacturing segment businesses are poised to grow based on business fundamentals and North American trends. Our Environmental Access Solutions business line sees opportunities for further geographic expansion into growth regions which will be accelerated by the recent strategic acquisition of Duhamel. Furthermore, the green economy will require greater protection of environmentally sensitive areas as the electrical grid is expanded in the transmission and distribution sector and opportunities in the resource sector will require greater utilization of matting and bridge solutions. The long-term macroeconomic trends associated with the shortage in affordable housing and rentals across North America provides significant upside to our Multi-Storey Windows Solutions business line. We are seeing an increase in the number of apartment projects as opposed to condominiums along with re-skinning projects to convert commercial properties into residential buildings. Our Multi-Storey Windows business line is agnostic to the type of project as our subsidiaries have significant experience in all subsectors. Lastly, our Precision Manufacturing & Engineering business line is poised for growth based on the anticipated increased demand as customers are reshoring manufacturing capabilities to North America coupled with execution on opportunities that are expected to materialize as interest rates and macroeconomic uncertainty continues to abate.

Our Aerospace & Aviation segment is expected to grow in the third quarter and for the remainder of the year due to our organic growth investments made in our aviation entities over the past number of years and executing on the contractual announcements in 2023. Our Essential Air Services business line will reflect the contributions from Growth Capital Expenditures, the commercial agreement with Air Canada and the medevac contracts with British Columbia and Manitoba. Service had commenced under the Air Canada agreement on July 1, 2023 with limited flights and aircraft. The operations ramped up during 2023 with four of the aircraft flying the contracted routes in November 2023. The option for the fifth and sixth aircraft were executed and these aircraft started flying partway through the second quarter. 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 into our broader fleet. One of the new King Air aircraft has been received from the manufacturer and modified with the state-of-the-art medical interior and is operating under the contract, the second new aircraft will be received in August after which the interior will be modified and will go into service later this year with the remainder being delivered through 2025 and 2026. In February 2024, the Manitoba medevac contract started with the modification and deployment of turboprop aircraft. The medevac jet aircraft will be modified and introduced into the fleet in the third quarter of 2024. The Aerospace business line is expected to improve for the third quarter compared to the prior year as the flying tempo continues to increase under the various contracts. The United Kingdom Home Office issued an RFP for a new contract that would begin after the expiry of the interim contract in November 2024. We submitted our bid during the first quarter, however we have been informed that the RFP is expected to be re-issued based on some internal issues with the RFP itself. Given the high utilization of the aircraft currently, we anticipate being able to support the United Kingdom Home Office with no gaps in coverage. Lastly, the Aircraft Sales & Leasing business line continues to improve. Leasing income is expected to continue to increase as the year progresses and will exceed fiscal 2019 revenue run rates by the end of the year. Furthermore, air operators are continuing to look for spare engines and repaired parts to capitalize on the current and growing demand around the world, resulting in strong parts, aircraft and engine sales.

On a longer-term basis, the outlook for our Aerospace & Aviation segment continues to be bullish. The services we provide to the Northern communities are essential services. We have invested significantly in our fleets over the past number of years and the result of those investments will continue to impact our financial results. Further tailwinds exist, as Canada's resources economy continues to develop, which will necessitate further transportation to remote areas. Lastly, there 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. We anticipate submitting our proposal for the Northwest Territories fixed wing medevac RFP in August 2024.

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

Capital Expenditures

Maintenance Capital Expenditures are undertaken to maintain the earning power of the business. The vast majority of our Maintenance Capital Expenditures are related to the Aerospace & Aviation segment, and these are driven by required maintenance intervals generally based on flight hours. With the expanded fleet size, contract wins and recent US dollar strength, we anticipate increases in our Maintenance Capital Expenditures in our Essential Air Services, Aircraft Sales & Leasing and Aerospace business lines consistent with increases in Adjusted EBITDA. Maintenance Capital Expenditures are expected to increase for the remainder of the year as certain events that were expected to occur in the first half of 2024 will occur in subsequent quarters throughout 2024. Maintenance Capital Expenditures in our Manufacturing segment are expected to increase due to the acquisitions in 2023.

Growth Capital Expenditures for 2024 will be primarily driven by the contract wins in 2023 within the Aerospace & Aviation segment. The Growth Capital Expenditures pertain to the acquisition of aircraft to service the commercial agreement with Air Canada along with new King Air aircraft and related interior modifications which will continue into the third quarter for the British Columbia medevac contract. As previously announced, we have become one of the world's largest King Air operators and accordingly, we are acquiring and installing a full-motion King Air simulator with expenditures occurring in 2024 and into 2025. Lastly, we will be continue making investments related to the Gary Filmon Indigenous Terminal on the grounds of the Winnipeg Airport, which are expected to continue throughout 2024 with an anticipated opening in early 2025. Within the Aerospace business line, Growth Capital Expenditures will be required for the expanded scope of the ISR contract in Curacao along with investments in an additional ISR owned asset planned to support the extension of the existing United Kingdom Home-Office contract. Finally, as the Aircraft Parts & Leasing business line is an opportunistic acquiror, Growth Capital Expenditures may be undertaken if opportunities are identified, and returns are commensurate with management's expectations. These opportunistic purchases are held to the same level of diligence and discipline as an acquisition and will only be executed if appropriate financial metrics and risk mitigation exist. Growth Capital Expenditures in our Manufacturing segment are expected to be relatively consistent with the prior year. Specifically, our Environmental Access Solutions business line constantly monitors the market and may right size its rental bridge and mat fleet. We anticipate an investment in the fleet throughout the remainder of the year.

Overall Outlook

Our resilient and diversified business model coupled with the contractual wins announced in 2023 and 2024 coupled with projects which were deferred from the second quarter to later in the year within our Manufacturing segment provides us with confidence that our Adjusted EBITDA should be at the mid to upper end of our previously disclosed rage of $600 million to $635 million.

6. LIQUIDITY AND CAPITAL RESOURCES

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

As at June 30, 2024, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current senior leverage ratio is 2.88x, with the increase compared to prior periods attributable to Growth Capital Expenditures related to recently awarded contracts funded using the Corporation's credit facility. As the Corporation continues to get the benefit of the deployment of the assets, Adjusted EBITDA will increase and the senior leverage ratio will decline. The Corporation's total leverage ratio includes the impact of outstanding convertible debentures, and the importance of this form of capital relative to Adjusted EBITDA has declined in recent years. Historically, our target was 1.0x unsecured debt to Adjusted EBITDA, and based on the midpoint of the 2024 guidance, these debentures approximated 0.68x. Cash generated from working capital before the end of the year will also have the impact of moderating the Corporation's leverage ratio.

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

As at June 30, 2024, the Corporation has liquidity of approximately $984 million through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position.

As at June 30, 2024, the Corporation had a cash position of $49 million (December 31, 2023 - $104 million) and a net working capital position of $513 million (December 31, 2023 - $541 million) which represents a current ratio of 1.77 to 1 (December 31, 2023 – 1.87 to 1). The working capital position was impacted by the June 2018 convertible debentures that are now presented as current but were not at December 31, 2023. The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

	June 30 2024	December 31 2023
Total senior debt outstanding (principal value)	$ 1,570,097	$ 1,427,035
Convertible debentures outstanding (par value)	424,502	424,502
Common shares	1,268,621	1,252,890
Total capital	$ 3,263,220	$ 3,104,427

Credit facility

On May 6, 2024, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2.2 billion from approximately $2.0 billion and extended its terms to May 6, 2028, and was completed with no change in pricing. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA Inc. The amount allocated to the Corporation's Canadian head office includes a new $200 million social loan tranche, which will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million Social Loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes. As part of the transaction, ISS Corporate provided an independent Second Party Opinion that concluded the loan is in alignment with the Social Loan Principles as issued by the Loan Market Association. The increased size of the facility provides the Corporation with capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition. As of June 30, 2024, the Corporation had drawn $399 million and US $856 million (December 31, 2023 - $540 million and US $671 million).

The Corporation's long-term debt, net of cash, increased by $199 million since December 31, 2023. The increase is attributable to investments in Growth Capital Expenditures, investment in working capital, and the acquisition of Duhamel as discussed in *Section 3 – Investing Activities*.

During the period, the Corporation used derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same term unless both parties agree to extend the swap for an additional month. By entering into the swap, the Corporation can take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the US dollar borrowings as it will be exchanged for the same Canadian equivalent in one month. As at June 30, 2024, US $522 million (December 31, 2023 – US $338 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the period, the Corporation continued the use of interest rate swaps with certain members of its syndicate. The effect of these transactions results in approximately $540 million of the Corporation's credit facility debt being subject to a fixed rate with varying maturity dates.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at June 30, 2024, and changes in the amounts of convertible debentures outstanding during the six months ended June 30, 2024:

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

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

Share Capital

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

	Date issued	Number of shares
Shares outstanding, beginning of period		47,136,625
Issued under dividend reinvestment plan (DRIP)	various	233,052
Issued under employee share purchase plan	various	39,558
Issued under deferred share plan	various	5,768
Issued under Indigenous community partnership agreements	June 25, 2024	2,000
Issued to Armand Duhamel & Fils vendors on closing	June 24, 2024	67,828
Shares outstanding, end of period		47,484,831

The Corporation issued 233,052 shares under its dividend reinvestment plan during the period and received $11 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 39,558 shares under its Employee Share Purchase Plan during the period and received $2 million for those shares in accordance with the Employee Share Purchase Plan.

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

The weighted average shares outstanding during the three and six months ended June 30, 2024, increased by 9% and 10%, respectively compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's equity offering in the second quarter of 2023, the Corporation's dividend reinvestment plan, and shares issued as part of the acquisitions of BVGlazing and Hansen in the second quarter of 2023, DryAir in the fourth quarter of 2023 and Duhamel in the current period.

Normal Course Issuer Bid

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

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

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

7. RELATED PARTY TRANSACTIONS

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

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

9. ACCOUNTING POLICIES

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

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

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

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

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

In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design of internal controls over financial reporting to exclude the controls at Duhamel, acquired on June 21, 2024, as management has not completed its review of internal controls over financial reporting for this newly acquired company. Duhamel had revenue of less than $1 million included in the consolidated results of the Corporation for the six months ended June 30, 2024. As at June 30, 2024, it had current assets of $7 million, non-current assets of $13 million, current liabilities of $1 million, and non-current liabilities of $12 million.

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

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 June 30, 2024.

11. RISK FACTORS

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

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

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

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 Operating profit before Depreciation, Amortization, Finance Costs, 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. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less Maintenance Capital Expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders. The most comparable IFRS measure is Net Earnings. Interest accretion on contingent consideration is recorded in the period subsequent to an acquisition after the expected payment to the vendors is discounted. The value recorded on acquisition is accreted to the expected payment over the earn out period. Accelerated interest accretion on convertible debentures reflects the additional interest accretion recorded in a period that, but for the action to early redeem the debenture series, would have been recorded over the remaining term to maturity. This interest reflects the difference in the book value of the convertible debentures and the par value outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

	2024		2023				2022		
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$ 660,575**	**$ 601,769**	$ 656,676	$ 687,673	$ 627,222	$ 526,884	$ 543,360	$ 586,770	$ 529,017
Adjusted EBITDA	**157,045**	**111,051**	143,621	167,751	147,036	97,117	124,052	150,379	115,055
Net Earnings	**32,648**	**4,528**	29,027	49,523	36,896	6,861	26,990	48,936	29,990
Basic	**0.69**	**0.10**	0.62	1.06	0.85	0.16	0.64	1.20	0.76
Diluted	**0.67**	**0.09**	0.61	0.99	0.80	0.16	0.62	1.09	0.73
Adjusted Net Earnings	**37,662**	**9,574**	33,768	55,263	43,480	11,540	32,049	54,530	38,501
Basic	**0.80**	**0.20**	0.72	1.19	1.00	0.27	0.76	1.34	0.98
Diluted	**0.77**	**0.20**	0.70	1.09	0.93	0.27	0.73	1.20	0.90
Free Cash Flow ("FCF")	**100,502**	**61,931**	102,265	117,143	98,002	59,708	82,533	112,832	89,251
Basic	**2.13**	**1.31**	2.17	2.51	2.25	1.40	1.95	2.77	2.26
Diluted	**1.88**	**1.19**	1.92	2.20	1.96	1.26	1.71	2.38	1.95
FCF less Maintenance Capital Expenditures	**52,322**	**22,593**	49,971	74,341	58,592	18,923	40,243	69,009	47,356
Basic	**1.11**	**0.48**	1.06	1.60	1.34	0.44	0.95	1.70	1.20
Diluted	**1.02**	**0.47**	0.99	1.43	1.21	0.44	0.88	1.49	1.09
Maintenance Capital Expenditures	**48,180**	**39,338**	52,294	42,802	39,410	40,785	42,290	43,823	41,895
Growth Capital Expenditures	**44,800**	**39,326**	101,566	81,115	85,952	34,411	48,885	27,055	41,308

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	June 30 2024	December 31 2023
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 48,834**	$ 103,559
Accounts receivable	**575,003**	543,611
Amounts due from customers on construction contracts	**60,956**	40,207
Inventories	**432,776**	408,379
Prepaid expenses and deposits	**64,196**	63,602
	1,181,765	1,159,358
OTHER ASSETS (Note 7)	**140,884**	133,725
CAPITAL ASSETS	**1,639,386**	1,571,067
RIGHT OF USE ASSETS	**163,587**	170,099
INTANGIBLE ASSETS	**323,760**	332,362
GOODWILL	**734,604**	713,196
	$ 4,183,986	$ 4,079,807
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	**$ 424,623**	$ 461,917
Income taxes payable	**3,749**	7,274
Deferred revenue	**88,018**	71,281
Amounts due to customers on construction contracts	**35,653**	41,300
Current portion of convertible debentures (Note 9)	**78,753**	-
Current portion of right of use lease liability	**38,004**	36,866
	668,800	618,638
OTHER LONG-TERM LIABILITIES	**22,119**	33,607
LONG-TERM DEBT (Note 8)	**1,566,236**	1,422,642
CONVERTIBLE DEBENTURES (Note 9)	**327,787**	403,775
LONG-TERM RIGHT OF USE LEASE LIABILITY	**136,799**	143,288
DEFERRED INCOME TAX LIABILITY	**206,515**	212,384
	2,928,256	2,834,334
EQUITY		
SHARE CAPITAL (Note 10)	**1,268,621**	1,252,890
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	**13,979**	13,979
CONTRIBUTED SURPLUS	**16,635**	16,635
DEFERRED SHARE PLAN	**17,362**	16,756
RETAINED EARNINGS		
Cumulative Earnings	**837,364**	800,188
Cumulative Dividends	**(936,826)**	(874,380)
Cumulative impact of share cancellation under the NCIB	**(26,122)**	(26,122)
	1,191,013	1,199,946
ACCUMULATED OTHER COMPREHENSIVE INCOME	**64,717**	45,527
	1,255,730	1,245,473
	$ 4,183,986	$ 4,079,807

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2024**	2023	**2024**	2023
REVENUE				
Aerospace & Aviation	**$ 426,922**	$ 372,361	**$ 795,436**	$ 698,290
Manufacturing	**233,653**	254,861	**466,908**	455,776
	660,575	627,222	**1,262,344**	1,154,066
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**248,956**	225,690	**478,278**	437,137
Manufacturing expenses - excluding depreciation and amortization	**173,980**	179,941	**352,549**	330,182
General and administrative	**80,594**	74,555	**163,421**	142,594
	503,530	480,186	**994,248**	909,913
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**157,045**	147,036	**268,096**	244,153
Depreciation of capital assets	**61,785**	50,032	**117,099**	97,540
Amortization of intangible assets	**5,593**	5,432	**11,171**	10,229
Finance costs - interest	**31,703**	28,158	**61,518**	53,877
Depreciation of right of use assets	**9,711**	8,579	**19,393**	16,706
Interest expense on right of use lease liabilities	**2,048**	1,738	**4,032**	3,329
Acquisition costs	**1,244**	2,603	**2,549**	3,968
Other (Note 5)	**-**	-	**-**	(951)
EARNINGS BEFORE INCOME TAXES	**44,961**	50,494	**52,334**	59,455
INCOME TAX EXPENSE (RECOVERY)				
Current	**13,899**	9,814	**21,733**	12,899
Deferred	**(1,586)**	3,784	**(6,575)**	2,799
	12,313	13,598	**15,158**	15,698
NET EARNINGS	**$ 32,648**	$ 36,896	**$ 37,176**	$ 43,757
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 0.69**	$ 0.85	**$ 0.79**	$ 1.02
Diluted	**$ 0.67**	$ 0.80	**$ 0.77**	$ 1.00

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

Exchange Income Corporation

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2024**	2023	**2024**	2023
NET EARNINGS	**$ 32,648**	$ 36,896	**$ 37,176**	$ 43,757
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax expense for the three months ended June 30 of nil and nil, respectively, and net of tax expense for the six months ended June 30 of nil and nil, respectively	**7,621**	(15,277)	**25,211**	(15,960)
Net gain (loss) on hedge of net investment in foreign operations net of tax expense for the three months ended June 30 of nil and nil, respectively and net of tax expense for the six months ended June 30 of nil and nil, respectively	**(1,869)**	4,302	**(6,384)**	4,459
Net gain (loss) on hedge of restricted share plan, net of tax recovery for the three months ended June 30 of ($434) and ($196), respectively and net of tax expense (recovery) for the six months ended June 30 of $27 and ($211), respectively	**(1,203)**	(546)	**70**	(587)
Net gain (loss) on interest rate swap, net of tax expense (recovery) for the three months ended June 30 of ($681) and $3,430, respectively and net of tax expense for the six months ended June 30 of $87 and $3,396, respectively	**(1,868)**	9,513	**293**	9,419
	2,681	(2,008)	**19,190**	(2,669)
COMPREHENSIVE INCOME	**$ 35,329**	$ 34,888	**$ 56,366**	$ 41,088

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Retained Earnings: Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)	**Total**
Balance, January 1, 2023	$ 1,019,772	$ 14,017	$ 16,635	$ 15,791	$ 677,881	$ (759,792)	$ (26,122)	$ 60,872	$ 1,019,054
Shares issued to acquisition vendors	27,388	-	-	-	-	-	-	-	27,388
Prospectus offering	167,067	-	-	-	-	-	-	-	167,067
Convertible debentures									
Converted into shares	975	(37)	-	-	-	-	-	-	938
Shares issued under dividend reinvestment plan (Note 10)	8,704	-	-	-	-	-	-	-	8,704
Deferred share plan vesting (Note 14)	-	-	-	706	-	-	-	-	706
Deferred share plan issuance	538	-	-	(538)	-	-	-	-	-
Shares issued under ESPP (Note 10)	1,743	-	-	-	-	-	-	-	1,743
Comprehensive income (loss)	-	-	-	-	43,757	-	-	(2,669)	41,088
Dividends declared (Note 11)	-	-	-	-	-	(54,614)	-	-	(54,614)
Balance, June 30, 2023	**$ 1,226,187**	**$ 13,980**	**$ 16,635**	**$ 15,959**	**$ 721,638**	**$ (814,406)**	**$ (26,122)**	**$ 58,203**	**$ 1,212,074**
Balance, January 1, 2024	$ 1,252,890	$ 13,979	$ 16,635	$ 16,756	$ 800,188	$ (874,380)	$ (26,122)	$ 45,527	**$ 1,245,473**
Shares issued to acquisition vendors	3,000	-	-	-	-	-	-	-	**3,000**
Shares issued under dividend reinvestment plan (Note 10)	10,533	-	-	-	-	-	-	-	**10,533**
Shares issued under Indigenous community	-	-	-	-	-	-	-	-	**-**
partnership agreements	90	-	-	-	-	-	-	-	**90**
Deferred share plan vesting (Note 14)	-	-	-	866	-	-	-	-	**866**
Deferred share plan issuance (Note 10)	260	-	-	(260)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	1,848	-	-	-	-	-	-	-	**1,848**
Comprehensive income (loss)	-	-	-	-	37,176	-	-	19,190	**56,366**
Dividends declared (Note 11)	-	-	-	-	-	(62,446)	-	-	**(62,446)**
Balance, June 30, 2024	**$ 1,268,621**	**$ 13,979**	**$ 16,635**	**$ 17,362**	**$ 837,364**	**$ (936,826)**	**$ (26,122)**	**$ 64,717**	**$ 1,255,730**

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

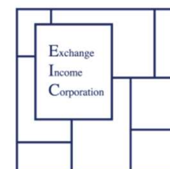
Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian Dollars)

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2024**	2023	**2024**	2023
OPERATING ACTIVITIES				
Net earnings for the period	**$ 32,648**	$ 36,896	**$ 37,176**	$ 43,757
Items not affecting cash:				
Depreciation of capital assets	**61,785**	50,032	**117,099**	97,540
Amortization of intangible assets	**5,593**	5,432	**11,171**	10,229
Depreciation of right of use assets	**9,711**	8,579	**19,393**	16,706
Accretion of interest	**1,729**	1,743	**3,375**	3,442
Gain on disposal of capital assets	**(1,308)**	(2,320)	**(3,423)**	(2,878)
Deferred income tax expense (recovery)	**(1,586)**	3,784	**(6,575)**	2,799
Deferred share program share-based vesting	**448**	399	**866**	706
Other	**-**	-	**-**	(951)
	109,020	104,545	**179,082**	171,350
Changes in non-cash current and long-term working capital (Note 16)	**(68,491)**	(27,559)	**(87,576)**	(105,138)
	40,529	76,986	**91,506**	66,212
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**98,747**	154,416	**128,223**	269,406
Repayment of long-term debt (Note 8)	**(524)**	(169,037)	**(13,887)**	(206,937)
Long-term debt discount	**1,576**	(208)	**1,598**	(1,244)
Principal payments on right of use lease liabilities	**(9,421)**	(9,111)	**(18,498)**	(17,385)
Issuance of shares, net of issuance costs	**6,081**	170,039	**12,779**	175,423
Cash dividends (Note 11)	**(31,275)**	(27,809)	**(62,446)**	(54,614)
	65,184	118,290	**47,769**	164,649
INVESTING ACTIVITIES				
Purchase of capital assets	**(106,261)**	(136,128)	**(197,347)**	(213,581)
Proceeds from disposal of capital assets	**13,970**	11,605	**26,776**	14,616
Purchase of intangible assets	**(689)**	(839)	**(1,073)**	(1,593)
Investment in other assets	**2,074**	3,719	**(1,760)**	(1,205)
Cash outflow for acquisitions, net of cash acquired	**(16,484)**	(112,101)	**(16,484)**	(112,101)
Payment of contingent acquisition consideration and prior period working capital settlements	**-**	-	**(5,990)**	(3,749)
	(107,390)	(233,744)	**(195,878)**	(317,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,677)**	(38,468)	**(56,603)**	(86,752)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**50,381**	92,253	**103,559**	139,896
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**130**	(3,227)	**1,878**	(2,586)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 48,834**	$ 50,558	**$ 48,834**	$ 50,558
Supplementary cash flow information				
Interest paid	**$ 23,770**	26,010	**54,848**	54,998
Income taxes paid	**$ 10,594**	456	**23,450**	14,479

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



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

1. ORGANIZATION

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

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

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

2. BASIS OF PREPARATION

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

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

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on August 8, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

In April 2024, the IASB issued IFRS 18 – *Presentation and Disclosure in Financial Statements*, which will replace IAS 1 – *Presentation of Financial Statements* and will be accompanied by narrow scope amendments to IAS 7 – *Statement of Cash Flows*. IFRS 18 will introduce a

defined structure for the statement of profit or loss and add disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. The standard will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact adoption of IFRS 18 will have on its consolidated financial statements.

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

6. ACQUISITIONS

Armand Duhamel & Fils Inc.

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

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

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

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments, plus a multi-year earn out if certain targets are met during a three-year period beginning July 1, 2024. The maximum earnout that could be achieved by the vendors is $3,000. The preliminary purchase price allocation is expected to be finalized in 2024 when the final settlement of working capital and other post closing adjustments occur. The purchase price included Net Working Capital of $4 million, Capital Assets of $1.9 million, and Goodwill of $16.1 million.

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

	June 30 2024	December 31 2023
Long-term prepaid expenses and security deposits	**$ 5,267**	$ 4,273
Long-term receivables	**2,744**	894
Equity method investments	**117,245**	114,528
Other investments - Fair value through OCI (Note 15)	**7,937**	6,718
Derivative financial instruments - Fair value through profit and loss (Note 15)	**7,691**	7,312
Total other assets	**$ 140,884**	$ 133,725

8. LONG-TERM DEBT

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

	June 30 2024	December 31 2023
Revolving term facility:		
Canadian dollar amounts drawn	**$ 399,000**	$ 540,000
United States dollar amounts drawn (US$855,627 and US$670,675 respectively)	**1,171,097**	887,035
Total credit facility debt outstanding, principal value	**1,570,097**	1,427,035
less: unamortized transaction costs	**(3,861)**	(2,794)
less: unamortized discount on outstanding Banker's Acceptances	**-**	(1,599)
Long-term debt	**$ 1,566,236**	$ 1,422,642

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

Interest expense recorded by the Corporation during the three and six months ended June 30, 2024 for long-term debt was $24,613 and $47,369 (2023 – $21,129 and $39,901 respectively).

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

Credit Facility

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

	Six Months Ended June 30, 2024				
	Opening	**Withdrawals**	**Repayments**	**Exchange Differences**	**Ending**
Credit facility amounts drawn					
Canadian dollar amounts	**$ 540,000**	**$ 114,000**	**$ (255,000)**	**$ -**	**$ 399,000**
United States dollar amounts	**887,035**	**270,561**	**(13,888)**	**27,389**	**1,171,097**
	$ 1,427,035				**$ 1,570,097**

In the table above, withdrawals and repayments include the impact of entering into or changing the principal value on already outstanding cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt

occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 15.

9. CONVERTIBLE DEBENTURES

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

Summary of the debt component of the convertible debentures:

	2024 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2024 Balance, End of Period
Unsecured Debentures - 2018	$ 78,301	$ -	$ 452	$ -	$ -	$ 78,753
Unsecured Debentures - 2019	84,737	-	279	-	-	85,016
Unsecured Debentures - July 2021	139,465	-	410	-	-	139,875
Unsecured Debentures - December 2021	111,292	-	319	-	-	111,611
						415,255
less: unamortized transaction costs						(8,715)
Convertible Debentures - Debt Component, end of period						$ 406,540
less: current portion						78,753
Convertible Debentures - Debt Component (long-term portion)						327,787

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

Interest expense recorded during the three and six months ended June 30, 2024, for the convertible debentures was $7,090 and $14,149 respectively (2023 – $7,029 and $13,976 respectively).

Convertible Debentures Equity Component

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

Summary of the equity component of the convertible debentures:

	June 30 2024	December 31 2023
Unsecured Debentures - 2018	3,835	3,835
Unsecured Debentures - 2019	2,491	2,491
Unsecured Debentures - July 2021	4,240	4,240
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 13,979	$ 13,979

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

On March 14, 2024, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount

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

During the six months ended June 30, 2024, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

10. SHARE CAPITAL

Changes in the shares issued and outstanding during the six months ended June 30, 2024, are as follows:

	Number of Shares		2024 Amount
Share capital, beginning of period	47,136,625	$	1,252,890
Issued under dividend reinvestment plan	233,052		10,533
Issued under employee share purchase plan	39,558		1,848
Issued under deferred share plan	5,768		260
Issued under Indigenous community partnership agreements	2,000		90
Shares issued to Armand Duhamel & Fils Inc. vendors on closing (Note 6)	67,828		3,000
Share capital, end of period	47,484,831	$	1,268,621

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

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

11. DIVIDENDS DECLARED

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

The amounts and record dates of the dividends during the six months ended June 30, 2024, and the comparative 2023 period are as follows:

Month	Record date		Per Share		2024 Dividends Amount	Record date		Per Share		2023 Dividends Amount
January	January 31, 2024	$	0.22	$	10,380	January 31, 2023	$	0.21	$	8,927
February	February 29, 2024		0.22		10,389	February 28, 2023		0.21		8,933
March	March 29, 2024		0.22		10,402	March 31, 2023		0.21		8,945
April	April 30, 2024		0.22		10,410	April 28, 2023		0.21		8,968
May	May 31, 2024		0.22		10,419	May 31, 2023		0.21		9,067
June	June 28, 2024		0.22		10,446	June 30, 2023		0.21		9,774
Total		$	1.32	$	62,446		$	1.26	$	54,614

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

12. SEGMENTED AND SUPPLEMENTAL INFORMATION

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

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

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

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

	Three Months Ended June 30, 2024			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 426,922	$ 233,653	$ -	$ 660,575
Expenses	292,525	198,627	12,378	503,530
Adjusted EBITDA	134,397	35,026	(12,378)	157,045
Depreciation of capital assets				61,785
Amortization of intangible assets				5,593
Finance costs - interest				31,703
Depreciation of right of use assets				9,711
Interest expense on right of use lease liabilities				2,048
Acquisition costs				1,244
Earnings before income taxes				44,961
Current income tax expense				13,899
Deferred income tax recovery				(1,586)
Net Earnings				$ 32,648

Notes to the Interim Condensed Consolidated Financial Statements

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

	Three Months Ended June 30, 2023			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 372,361	$ 254,861	$ -	$ 627,222
Expenses	264,670	205,821	9,695	480,186
Adjusted EBITDA	107,691	49,040	(9,695)	147,036
Depreciation of capital assets				50,032
Amortization of intangible assets				5,432
Finance costs - interest				28,158
Depreciation of right of use assets				8,579
Interest expense on right of use lease liabilities				1,738
Acquisition costs				2,603
Earnings before income taxes				50,494
Current income tax expense				9,814
Deferred income tax expense				3,784
Net Earnings				$ 36,896

	Six Months Ended June 30, 2024			
	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
Revenue	**$ 795,436**	**$ 466,908**	**$ -**	**$ 1,262,344**
Expenses	**567,001**	**404,831**	**22,416**	**994,248**
Adjusted EBITDA	**228,435**	**62,077**	**(22,416)**	**268,096**
Depreciation of capital assets				**117,099**
Amortization of intangible assets				**11,171**
Finance costs - interest				**61,518**
Depreciation of right of use assets				**19,393**
Interest expense on right of use lease liabilities				**4,032**
Acquisition costs				**2,549**
Earnings before income taxes				**52,334**
Current income tax expense				**21,733**
Deferred income tax recovery				**(6,575)**
Net Earnings				**$ 37,176**

				Six Months Ended June 30, 2023
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 698,290	$ 455,776	$ -	$ 1,154,066
Expenses	516,792	374,591	18,530	909,913
Adjusted EBITDA	181,498	81,185	(18,530)	244,153
Depreciation of capital assets				97,540
Amortization of intangible assets				10,229
Finance costs - interest				53,877
Depreciation of right of use assets				16,706
Interest expense on right of use lease liabilities				3,329
Acquisition costs				3,968
Other				(951)
Earnings before income taxes				59,455
Current income tax expense				12,899
Deferred income tax expense				2,799
Net Earnings				$ 43,757

				For the period ended June 30, 2024
	Aerospace & Aviation	**Manufacturing**	**Head Office [(1)]**	**Consolidated**
Total assets	**$ 2,682,327**	**$ 1,419,285**	**$ 82,374**	**$ 4,183,986**
Net capital asset additions	**158,887**	**11,569**	**115**	**170,571**

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

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

Revenues

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

		Three Months Ended		**Six Months Ended**	
Revenue Streams	Periods ended June 30	**2024**	2023	**2024**	2023
Aerospace & Aviation Segment					
Sale and lease of goods - point in time		**$ 102,201**	$ 91,938	**$ 175,470**	$ 160,569
Sale of services - point in time		**277,945**	242,681	**524,395**	451,647
Sale of services - over time		**46,776**	37,742	**95,571**	86,074
Manufacturing Segment					
Sale and lease of goods - point in time		**65,992**	65,940	**125,247**	128,297
Sale of services - point in time		**11,376**	25,163	**24,594**	46,732
Sale of goods and services - over time		**156,285**	163,758	**317,067**	280,747
Total revenue		**$ 660,575**	$ 627,222	**$ 1,262,344**	$ 1,154,066

13. EARNINGS PER SHARE

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

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

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

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2024**	2023	**2024**	2023
Net earnings	**$ 32,648**	$ 36,896	**$ 37,176**	$ 43,757
Effect of dilutive securities				
Convertible debenture interest	**2,551**	5,167	**-**	-
Diluted Net Earnings	**$ 35,199**	$ 42,063	**$ 37,176**	$ 43,757
Basic weighted average number of shares	**47,348,934**	43,637,222	**47,277,581**	43,086,401
Effect of dilutive securities				
Deferred Shares	**961,598**	876,105	**961,598**	876,105
Convertible debentures	**4,211,445**	8,037,816	**-**	-
Diluted basis weighted average number of shares	**52,521,977**	52,551,143	**48,239,179**	43,962,506
Net Earnings per share:				
Basic	**$ 0.69**	$ 0.85	**$ 0.79**	$ 1.02
Diluted	**$ 0.67**	$ 0.80	**$ 0.77**	$ 1.00

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the six months ended June 30, 2024, the Corporation granted 40,339 (2023 – 36,795) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,903 (2023 – $1,894) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and six months ended June 30, 2024, the Corporation recorded a compensation expense of $448 and $866 respectively (2023 – $399 and $706 respectively), for the Corporation's Deferred Share Plan within the general and administrative expenses of head office.

Restricted Share Plan

During the six months ended June 30, 2024, the Corporation granted 191,653 (2023 – 233,729) restricted shares to certain personnel. The fair value of the restricted share units granted was $8,779 (2023 – $11,689) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and six months ended June 30, 2024, the Corporation recorded compensation expense of $2,429 and $4,287 respectively (2023 – $1,984 and $3,563 respectively), for the Corporation's Restricted Share Plan within the general and administrative expenses of head office net of its restricted share plan hedge, with a corresponding liability recorded in Accounts Payable and Accrued Expenses.

Employee Share Purchase Plan

Certain employees of the Corporation participate in an Employee Share Purchase Plan ("ESPP"). Under the ESPP, employees make contributions of up to 5% of their base salaries to purchase Corporation shares out of treasury, and upon the employees remaining employed

with the Corporation or its subsidiaries during an 18-month vesting period, they are entitled to receive an additional number of shares (“additional shares”) equal to 33.3% of the number of shares they purchased and dividends declared on those additional shares over the vesting period. The cost of the award is recognized in head office expenses of the Corporation over the 18-month vesting period.

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

During the six months ended June 30, 2024, employees acquired 39,558 shares from treasury at a weighted average price of $46.72 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 $642 based on the share price and monthly dividend rate at that time.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation’s activities expose it to a variety of financial risks: market risk (primarily currency, interest rate risk, and other price risk), credit risk, and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that have significantly changed from those described in the December 31, 2023, audited consolidated financial statements.

Market Risk

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

Currency Risk

The Corporation has US $855,627 or $1,171,097 (December 31, 2023 – US $670,675 or $887,035) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $193,927 (December 31, 2023 – US $189,575) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation’s investment in those subsidiaries with US dollar functional currencies are hedged partially by US $136,700 (December 31, 2023 – US $140,000) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the period, the Corporation continued the use of derivatives through several cross-currency basis swaps (“swap”) with a member of the Corporation’s lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation’s US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at June 30, 2024, was a financial liability of $49 (December 31, 2023 – financial liability of $12,326). At June 30, 2024, the notional value of the swaps outstanding is US $521,700 (December 31, 2023 – US $337,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $49 was reclassified from other comprehensive income (December 31, 2023 – $12,326).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 8) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Corporation to choose the base interest rate between Prime, Canadian Overnight Repo Rate Average (“CORRA”), or the Secured Overnight Financing Rate (“SOFR”). At June 30, 2024:

- US $852,300 (December 31, 2023 – US $668,900) was outstanding under SOFR;
- US $3,327 (December 31, 2023 – US $1,775) was outstanding under US Prime; and
- $399,000 (December 31, 2023 – $540,000) was outstanding under CORRA.

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

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

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

These derivative financial instruments hedge the exposure to variability in cash flow associated with the future payment of interest on CORRA or SOFR debt that would impact profit or loss and therefore qualify as a cash flow hedges. The fair value of interest rate swaps are recorded within other long-term financial asset of $7,691 (December 31, 2023 – other long-term financial asset of $7,312) and are recorded as a separate line within other comprehensive income.

Other Price Risk

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

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into derivative instruments for each of the 2022, 2023 and 2024 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualify as cash flow hedges. On a combined basis, the initial grant date fair value for the 2022, 2023 and 2024 programs was $27,220. The fair value of the instruments are recorded in long-term financial liability of $373 (December 31, 2023 – long-term financial liability of $445) 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	**June 30, 2024**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	7,691	-	7,691	-
Other long-term assets - Fair value through OCI (Note 7)	7,937	-	-	7,937
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(6,652)	-	-	(6,652)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(49)	-	(49)	-
Other long term liabilities - Restricted Share Plan Derivative - Financial liability at fair value through profit and loss	(373)	-	(373)	-
Fair Value Disclosures				
Other assets - Amortized cost	5,698	-	5,698	-
Long-term debt - Amortized cost	(1,566,236)	-	-	(1,570,097)
Convertible debt - Amortized cost	(406,540)	(421,415)	-	-

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

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

The following table summarizes the changes in the consideration liabilities recorded on the acquisitions Northern Mat, BVGlazing, DryAir and Duhamel including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary	**June 30**	December 31
For the periods ended	**2024**	2023
Opening balance	**$ 10,384**	$ 4,700
Change in estimate	**(314)**	(951)
Acquisition of BVGlazing	**-**	11,136
Acquisition of DryAir	**-**	6,304
Acquisition of Duhamel (Note 6)	**2,572**	-
Settled during the period	**(5,990)**	(10,805)
Ending balance	**$ 6,652**	$ 10,384

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

Financial Instrument Fair Value Disclosures

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

As at June 30, 2024, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 5.50%. 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 June 30, 2024, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $421,415 (December 31, 2023 - $411,151) with a carrying value of $406,540 (December 31, 2023 - $403,775).

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

16. CHANGES IN WORKING CAPITAL

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

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2024**	2023	**2024**	2023
Accounts receivable, including long-term portion	**$ (67,219)**	$ (38,418)	**$ (25,904)**	$ 4,512
Amounts due from customers on construction contracts	**(5,827)**	(11,626)	**(20,351)**	(13,334)
Inventories	**1,787**	6,304	**(10,615)**	(42,662)
Prepaid expenses and deposits, including long-term portion	**(6,797)**	13,385	**465**	3,858
Accounts payable and accrued expenses, including long-term portion	**1,392**	(10,918)	**(39,232)**	(67,036)
Income taxes receivable/payable	**2,656**	8,965	**(2,245)**	(2,053)
Deferred revenue, including long-term portion	**3,112**	4,789	**16,617**	10,662
Amounts due to customers on construction contracts	**2,405**	(40)	**(6,311)**	915
Net change in working capital	**$ (68,491)**	$ (27,559)	**$ (87,576)**	$ (105,138)