chorus aviation inc.

Third Quarter 2015 Management's Discussion and Analysis of Results of Operations and Financial Condition

November 12, 2015

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1 OVERVIEW

The financial and operating highlights for Chorus are as follows:

(unaudited)	Three months ended September 30, 2015[(1)]	2014	Change	Nine months ended September 30, 2015[(1)]	2014	Change
Operating revenue ($000)	412,157	432,576	(20,419)	1,187,313	1,264,993	(77,680)
Operating expenses ($000)	363,021	393,159	(30,138)	1,084,277	1,160,076	(75,799)
Operating income ($000)	49,136	39,417	9,719	103,036	104,917	(1,881)
Net income for the period ($000)	6,320	11,252	(4,932)	12,975	53,372	(40,397)
Adjusted EBITDA[(2)] ($000)	65,079	56,153	8,926	145,134	154,135	(9,001)
Adjusted EBITDA,[(2)] excluding other items ($000)	68,835	59,430	9,405	162,589	164,752	(2,163)
Adjusted net income[(2)] ($000)	31,443	29,004	2,439	64,198	71,535	(7,337)
Adjusted net income,[(2)] excluding other items ($000)	35,199	32,281	2,918	81,653	82,152	(499)
Net income per Share, basic ($)	0.05	0.09	(0.04)	0.11	0.44	(0.33)
Adjusted net income per Share, basic[(2)] ($)	0.26	0.24	0.02	0.53	0.59	(0.06)
Adjusted net income,[(2)] excluding other items per Share - basic ($)	0.29	0.27	0.02	0.67	0.68	(0.01)

1) As Chorus acquired Voyageur on May 1, 2015, the results of operations include revenue and expenses of Voyageur since that date (refer to Section 4 - The Chorus Business).
2) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures.

Operating income for the three months ended September 30, 2015, compared to the same period 2014, increased by $9.7 million. The addition of Voyageur contributed $1.4 million while aircraft leasing operations under the CPA contributed an additional $2.9 million due a favourable US dollar exchange rate. The remaining net increase of $5.4 million in operating income was mostly attributable to: lower employee separation program costs; lower pension costs as a result of Chorus recording a curtailment under its pilot pension plan related to the flow of pilots to Air Canada; more labour and maintenance costs being capitalized on owned aircraft for major maintenance overhauls; decreased stock-based compensation; and lower food and beverage as a result of new contracts in late 2014 for catering and commissary services. These increases in operating income were offset by a one-time signing bonus to be paid to Jazz flight attendants as part of a new collective agreement ratified on August 27, 2015, and the absence in this quarter of Compensating Mark-Up.

The $8.9 million increase in Adjusted EBITDA resulted from the operating income increase previously described; offset by a quarter-over-quarter net $0.8 million decrease in depreciation and amortization expense. The decrease in depreciation and amortization expense was mostly related to a change in the estimated economic useful lives and residual values of certain owned aircraft and flight equipment in the first quarter of 2015 of $4.1 million and major maintenance overhauls of $0.3 million; offset by the purchase of additional aircraft during 2015 for $0.2 million and a $3.4 million increase in depreciation and amortization attributable to Voyageur, which contributed an Adjusted EBITDA of $4.8 million in the quarter.

On September 28, 2015, Chorus announced that an agreement had been reached with Air Canada to add ten incremental aircraft to the CPA fleet. These aircraft will be operated under the Air Canada Express brand. Five used 78-seat Q400 turboprops and five 75-seat CRJ705 regional jets are anticipated to be delivered in 2016 and early 2017, respectively, and will remain as Covered Aircraft until 2025. The addition of these larger gauged aircraft will further help reduce Unit Costs and increase Chorus' market competitiveness. Once all the incremental aircraft are received, the annual Fixed Margin and Infrastructure Fee per Covered Aircraft is expected to increase by approximately $2.0 million until 2025. The five incremental Q400s will be sourced by Air Canada and leased into the Jazz CPA operation. Sourcing for the CRJ705 aircraft has not yet been finalized.

2 AMENDED CAPACITY PURCHASE AGREEMENT

On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and extended CPA with Air Canada effective January 1, 2015 (referred to herein as the "January 1, 2015 Amendment") extending the CPA term to December 31, 2025.

Prior to the January 1, 2015 Amendment, Chorus was paid rates which were negotiated and set every three calendar years based on Chorus' projected Controllable Costs for the relevant three year period, using certain variables including Block Hours, Flight Hours, aircraft, cycles and passengers carried. Chorus was also paid certain variable and fixed aircraft ownership and fixed rates. The rates set for each three year period were not guaranteed to be the same as actual Controllable Costs incurred by Chorus in providing the Scheduled Flights during that period. Once set, for CPA billing purposes, Chorus applied a mark-up (and the Compensating Mark-Up when applicable) to the rates. Chorus was also entitled to repayment of certain Pass-Through Costs, including fuel, airport and navigation fees, landing and terminal fees and certain other costs. In addition, Chorus was eligible to receive incentive payments each quarter if it achieved certain performance levels related to controllable on-time performance, controllable flight completion, PAWOBS and overall customer satisfaction.

Chorus incurs two types of costs under the CPA:

1) Controllable Costs; and
2) Pass-Through Costs.

Under the January 1, 2015 Amendment, Chorus will continue to be entitled to be paid rates, based on Controllable Costs, using the same variables as in prior years such as Block Hours, Flight Hours, cycles and passengers carried as well as certain variable and fixed aircraft ownership and fixed rates. With the exception of flight crew costs, aircraft rent, and depreciation and amortization on aircraft and parts, the rates for Controllable Costs are now set annually. Controllable Costs include items such as general overhead and aircraft maintenance, materials and supplies (for further detail please consult the detailed CPA cost categorization chart found below).

Under the January 1, 2015 Amendment, Air Canada provides Chorus with projected annual Block Hours, Flight Hours, cycles and passengers estimated to be carried in advance of each calender year during the term. The associated Controllable Costs are determined by Chorus. The resulting rates to be paid by Air Canada to Chorus for the Controllable Costs are mutually agreed upon. The rate-setting process is staggered throughout the year and conducted on a rolling basis.

Annual rate setting related to Controllable Costs decreases Chorus' risk profile as the annual rate re-set ensures those costs are reviewed in a timely manner and the corresponding rates reflect the realities of the current environment. With such visibility the accuracy of the rates is better assured in the event there are significant changes in the operation and/or the operating environment.

Crew rates are now set for the term of the CPA to December 31, 2025 and reflect projected crew units costs for this period. Chorus has negotiated collective agreements with its crew for the term of the January 1, 2015 Amendment which support the projected crew unit costs agreed to with Air Canada. The crew rates are adjusted if the number of Block Hours scheduled, the flow of Jazz pilots to Air Canada, and/or if the efficiency of the crew schedules delivered by Air Canada are outside certain agreed thresholds. In addition, regulatory changes that impact crew unit costs result in adjustments to the crew rates.

Pass-Through Costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees. Services provided by Air Canada are done at no cost to Chorus.

These include aircraft fuel and Air Canada ground handling (for further detail please consult the CPA cost categorization chart found below).

Under the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Costs to fixed fees. The mark-up and Compensating Mark-up concepts have been eliminated. As well, the requirement for benchmarking based on Chorus' costs in 2015 and the margin adjustment provisions contained in the CPA prior to the January 1, 2015 Amendment are no longer applicable.

Chorus is now compensated by the more industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation for the balance of the term of the CPA:

1) Fixed Margin per Covered Aircraft; and
2) Infrastructure Fee per Covered Aircraft.

The Fixed Margin per Covered Aircraft does not vary regardless of network size, complexity or hours flown. The Infrastructure Fee per Covered Aircraft compensates for the additional services Chorus provides in support of Air Canada's regional flying network such as airport operations. The word "rates" for purposes of discussion relating to the January 1, 2015 Amendment does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Combined, these fixed fees based on the Covered Aircraft are set at approximately $109.7 million for 2015, and once all incremental aircraft are received increases to approximately $111.7 million per year until the year 2020. From the years 2021 to 2025 these fees are also fixed but at a lower annual amount. Chorus anticipates that this decrease will be partially offset by additional margin contribution from aircraft leasing under the CPA.

Chorus currently leases JLI owned Q400 aircraft and engines into the Jazz operation under the CPA. Under this arrangement, Chorus earns aircraft leasing revenue under the CPA from the current 21 Q400 aircraft and four Q400 engines. For the nine months ended September 30, 2015, Chorus earned aircraft leasing revenue of $48.9 million. Annually these aircraft and engines generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

The additional 13 new Q400 aircraft being added to the Covered Aircraft fleet are anticipated to accrue incremental cash margins comparable to those currently being earned on the 21 Q400s. As well, the movement of 19 Dash 8 - 300 aircraft to market lease rates post ESP events, are anticipated to accrue incremental cash margin to Chorus going forward (refer to Section 3 - Introduction, "Caution regarding forward-looking information").

Performance incentives will continue to be available, under the January 1, 2015 Amendment, for achieving established performance targets for the same categories identified under the CPA prior to the January 1, 2015 Amendment. The maximum annual available incentive for the years 2015 to 2020 is $23.4 million and $12.2 million for the years 2021 to 2025.

In addition to lowering Chorus' risk profile, Chorus believes that the January 1, 2015 Amendment:

- provides a long-term horizon of predictable compensation levels that are anticipated to support the dividend;
- aligns the interests of Chorus and Air Canada and strengthens their relationship;
- promotes Chorus' market competitiveness through cost reduction initiatives such as the modernization of its fleet and the ability to flow Jazz senior pilots to Air Canada;
- secures long-term market competitive labour agreements with Jazz pilots, flight attendants and dispatchers;
- reduces reliance on the Fixed Margin and Infrastructure Fee per Covered Aircraft and replaces it with growth in cash margin from aircraft leasing under the CPA; and
- secures a solid foundation from which to grow and diversify Chorus' group of companies.

The following table summarizes changes between the January 1, 2015 Amendment terms and the CPA terms in effect to the end of 2014, for some of the changes in cost categorizations in Controllable Costs (used to establish rates) and Pass-Through Costs and costs that will be directly borne by Air Canada.

Changes to the CPA Cost Categorization & Rate Periods by Operating Expense & Detailed Description								
CPA Cost Categorization	**CPA Prior to 2015**				**January 1, 2015 Amendment**			
(unaudited)	Controllable Cost	Pass-Through Cost	Cost no longer billed to Chorus	Rate Periods	Controllable Cost	Pass-Through Cost	Cost no longer billed to Chorus	Rate Periods
Salaries, wages and benefits								
- Crew wages & benefits	X				X			11 years[1]
- All others	X				X			Annually[2]
Aircraft fuel								
- All costs		X		NA			X[5]	NA
Depreciation and amortization								
- All costs	X			3 Years	X			3 Years
Food, beverage and supplies								
- Costs from Air Canada							X[3]	
- Costs from 3rd parties	X			3 Years		X[3]		NA
Aircraft maintenance, materials and supplies								
- All costs	X			3 Years	X			Annually
Airport and navigation fees		X		NA		X		NA
Aircraft rent								
- Chorus Q400 leased through CPA	X			Lease term	X			Lease term
- 3rd party operating leases	X			3 Years	X			3 Years
- Air Canada & subsidiary leases to Chorus	X			3 Years	X			3 Years
Terminal handling services								
- Ground handling services from Air Canada	X			3 Years			X[3]	NA
- Ground handling from 3rd parties	X			3 Years		X[3]		NA
- De-icing services from Air Canada		X		NA			X[3]	NA
- All others	X			3 Years	X			Annually
Other								
- Aircraft parking	X			3 Years		X[3]		NA
- Interrupted trips & baggage delivery	X			3 Years		X[3]		NA
- Station supplies for processing	X			3 Years		X[3]		NA
-3rd party facilities	X			3 Years		X[4]		NA
Passengers								
- Air Canada facilities	X			3 Years			X[3]	NA
- All others	X			3 Years	X			Annually

(1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow.
(2) Reset annually, subject to certain conditions.
(3) These costs transitioned in the first quarter of 2015.
(4) These costs transitioned in the second quarter of 2015.
(5) Fuel transition occurred on November 1, 2015.

The following table outlines the impact of these contractual changes in the different operating expense line items.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended Sept, 30, 2015 Contractual variances $	Contractual variance: = 2014 Controllable Costs no longer billed $	Contractual variance: 2014 Pass-Through Costs no longer billed $	Contractual variance: 2014 Controllable Costs moved to Pass-Through Costs $	Nine months ended Sept. 30, 2015 Contractual variances $	Contractual variance: = 2014 Controllable Costs no longer billed $	Contractual variance: 2014 Pass-Through Costs no longer billed $	Contractual variance: 2014 Controllable Costs moved to Pass-Through Costs $
Expenses								
Food, beverage and supplies	(408)	(408)	—	—	(1,216)	(1,216)	—	—
Terminal handling services	(12,399)	(12,201)	(198)	—	(41,705)	(34,980)	(6,725)	—
Other	(2,683)	(1,971)	(712)	—	(7,930)	(5,780)	(2,150)	—
Total contractual variances	(15,490)	(14,580)	(910)	—	(50,851)	(41,976)	(8,875)	—
Summary								
Controllable Costs	(26,310)	(14,580)	—	(11,730)	(76,546)	(41,976)	—	(34,570)
Pass-Through Costs	10,820	—	(910)	11,730	25,695	—	(8,875)	34,570
Total contractual variances	(15,490)	(14,580)	(910)	—	(50,851)	(41,976)	(8,875)	—

3 INTRODUCTION

In this MD&A, references to Chorus or the Company refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz Aviation LP ("Jazz").

This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three and nine months ended September 30, 2015, the audited consolidated financial statements of Chorus for the year ended December 31, 2014, Chorus' annual MD&A dated February 18, 2015, and Chorus' Annual Information Form dated March 30, 2015. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of November 12, 2015.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 21 – Risk Factors.

Except where the context otherwise requires, all amounts are stated in Canadian dollars.

Caution regarding forward-looking information

Certain information in this MD&A may contain statements which are forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus' relationship with Air Canada, risks relating to the airline industry and in particular the international operation of airlines in developing countries and areas of unrest, airline leasing, energy prices, general industry, market, credit, and economic conditions,(including a severe and prolonged economic downturn which could result in reduced payments under the CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, aircraft incidents, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, the ability of Chorus to secure financing, the ability of Chorus to renew and/or replace existing contracts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate, pending and future litigation and actions by third parties. For a discussion of certain risks, please refer to Section 21 - Risk Factors. Examples of forward-looking information in this MD&A include the description of deferred cash payments to be made in connection with the acquisition of Voyageur in Section 4 - The Chorus Business, the discussion of the rates payable pursuant to the CPA in Section 15 - Critical Accounting Estimates, and the 2015 outlook discussion in Section 18 - 2015 Outlook. The forward-looking statements contained in this discussion represent Chorus' expectations as of November 12, 2015 and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

4 THE CHORUS BUSINESS

Chorus is a holding company incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act,* with various aviation interests. Chorus' key strategies are:

- Return of Shareholder value through improved liquidity, strengthening of the balance sheet, and payment of dividends;
- Cost control (cost savings initiatives) and sustainable cost reduction and efficiencies under the CPA with Air Canada; and
- Diversification and growth of EBITDA by leveraging Chorus' aviation expertise.

In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and trans-border network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the greater part of Jazz's fleet capacity at pre-determined rates. Under the CPA, Jazz provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada and to and from certain destinations in the United States. As at September 30, 2015, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 773 departures per weekday to 55 destinations in Canada and 19 destinations in the United States, using 120 Covered Aircraft. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Jazz operates the CPA flights on behalf of Air Canada under the "Air Canada Express" brand. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft (refer to Section 21 - Risk Factors).

Jazz is economically and commercially dependent on Air Canada and one of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide services and aircraft to Jazz (refer to Section 14 - Economic Dependence). Jazz is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 21 - Risk Factors).

On January 30, 2015, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the tentative agreement reached on January 13, 2015. The term of this agreement is 11 years expiring on December 31, 2025 and contains provisions prohibiting strikes and lockouts. The ratification of this new collective agreement was a condition to establishing the January 1, 2015 Amendment.

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier Inc., as represented by Bombardier Aerospace Commercial Aircraft ("Bombardier"), and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional Q400 aircraft.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program ("ESP"). The ESP is expected to extend the service life of the Dash 8-300 aircraft by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

On May 1, 2015, Chorus acquired all of the outstanding shares of 519222 Ontario Limited, a holding company that owns Voyageur Airways Limited and its related companies ("Voyageur"). Headquartered in North Bay, Ontario, Voyageur, is a Transport Canada approved air operator, and an integrated provider of specialized aviation services, including contract flying operations both internationally and domestically. It also provides advanced engineering and maintenance services. The total consideration is expected to approximate $85.3 million consisting of cash in the amount of $47.0 million paid at closing, and cash of $31.4 million payable over three years which has been recorded at the fair value on the date of acquisition of $29.5 million and 1,457,194 Voting Shares of Chorus valued at $8.8 million, being the fair value of the shares on the date of acquisition issued at closing to the vendor. The portion of the purchase price payable over three years includes contingent consideration in the gross amount of $2.0 million provided certain performance targets are met in the 24 months following closing and a gross working capital adjustment estimated to be $4.4 million. The remainder of the gross consideration is payable over 36 months from closing and does not bear interest. As a result an amount of $2.0 million, determined to represent the fair value of the interest savings has been recorded as a reduction to the purchase price, calculated as imputed interest. Transaction costs totaling approximately $2.8 million have been incurred during 2014 and 2015 in connection with the acquisition and are included in other expenses. Chorus uses the acquisition method to account for business combinations. As such, the results of operations include revenue and expenses of Voyageur since May 1, 2015.

On June 3, 2015, Chorus announced that Jazz's dispatchers, represented by the Canadian Air Line Dispatchers Association, had ratified the tentative agreement reached on May 27, 2015. The term of the agreement is just under 11 years, expiring on December 31, 2025.

On September 23, 2015, Chorus announced that Jazz's flight attendants, represented by the Canadian Flight Attendant Union ("CFAU"), had ratified the tentative agreement reached on August 27, 2015. The term of the agreement expires on December 31, 2025.

On each of September 29, 2015, October 22, 2015 and October 30, 2015, pursuant to its Q400 aircraft purchase agreement with Bombardier Inc., Chorus took delivery of one new Q400 aircraft and drew EDC financing (refer to Section 10 - Liquidity and Capital Resources).

In addition, Chorus has purchased the following aircraft in 2015: two Dash 8-100 aircraft previously leased from Air Canada Capital Ltd. on April 15 and October 14, 2015; two Dash 8-300 aircraft previously leased from a third party on July 27, 2015; and one King Air 200 on August 25, 2015.

5 THIRD QUARTER ANALYSIS

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2015 $	 2014 $	 Change $
Controllable Revenue	205,955	224,264	(18,309)
Aircraft leasing revenue under the CPA	16,940	14,022	2,918
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,418	—	27,418
Mark-up, including Compensating Mark-Up	—	31,755	(31,755)
Incentive revenue	4,775	5,214	(439)
CPA Pass-Through Revenue	134,354	152,240	(17,886)
Charter and other contract flying revenue	13,820	2,484	11,336
Passenger revenue	403,262	429,979	(26,717)
Other revenue	8,895	2,597	6,298
	412,157	432,576	(20,419)

Operating revenue decreased from $432.6 million to $412.2 million, representing a decrease of $20.4 million or 4.7%.

Controllable Revenue

Controllable Revenue decreased by $18.3 million or 8.2%. Certain items provided to Chorus by Air Canada, such as ground handling at major hubs and facilities have been removed from Controllable Revenue. Other items, such as third party ground handling services and catering and commissary, have been re-classified as Pass-Through Costs and removed from Controllable Revenue. The Controllable Revenue reduction related to these changes was $26.3 million. As well, rate decreases under the CPA accounted for a decrease of approximately $7.1 million. These decreases were offset by increased CPA Billable Block Hours which accounted for a $1.0 million rise in Controllable Revenue and a favourable US dollar exchange rate which resulted in a $14.1 million increase in the quarter.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $2.9 million. The increase was related to a favourable US dollar exchange rate. Aircraft leasing revenue under the CPA is generated from the current 21 Q400 aircraft and four Q400 engines owned by JLI and leased to Jazz. The Q400 aircraft leasing revenue under the CPA is reflected in revenue, and is designed to provide compensation to Chorus based on market lease rates.

Fixed Margin and Infrastructure Fee per Covered Aircraft and mark-up, including Compensating Mark-Up

Under the CPA as amended by the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Cost rates to a fixed fee arrangement. The mark-up and Compensating Mark-Up concepts have been eliminated. Based on the fleet plan agreed to as of the January 1, 2015 Amendment, compensation for 2015 is contractually set at $109.7 million annually, or $27.4 million quarterly.

In 2014, the Compensating Mark-Up formula contained in the CPA was applied and the Controllable Mark-Up was increased to compensate Chorus for reduced operating margin and increased Unit Costs resulting from the reduced Block Hours. As a result, Chorus recorded $2.8 million in Compensating Mark-Up in the third quarter of 2014 as an increase in operating revenue.

Incentive revenue

Incentives earned under the CPA decreased $0.4 million or 8.4%. For the three months ended September 30, 2015, Chorus earned $4.8 million (2014 - $5.2 million) in performance incentives, or 81.8% (2014 - 82.9%) of the maximum available under the CPA as amended by the January 1, 2015 Amendment.

CPA Pass-Through Revenue

Pass-Through Revenue decreased by $17.9 million or 11.7%, from $152.2 million to $134.4 million, which included a decrease of $30.2 million related to fuel costs driven primarily by a decline in jet fuel prices. Compensation for deicing and certain other costs provided to Chorus by Air Canada are no longer billed. Other costs, such as third party ground handling services and catering and commissary, have been re-classified to Pass-Through Costs and removed from Controllable Costs. This change increased Pass-Through Revenue by $10.8 million. In addition, a favourable US dollar exchange rate resulted in a $2.7 million increase in the quarter.

Charter and other contract flying revenue

Charter and other contract flying revenue increased by $11.3 million or 456.4%. New contract revenue from the Voyageur operation accounted for $12.0 million; offset by decreased Jazz charter revenue of $0.7 million.

Other revenue

Other revenue increased by $6.3 million primarily related to new revenue from the Voyageur operation, which includes leasing and maintenance repair and overhaul; offset by decreased sale of consignment inventory.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2015 $	 2014 $	 Change $
Operating expenses			
Salaries, wages and benefits	103,669	103,636	33
Aircraft fuel	70,556	100,288	(29,732)
Depreciation and amortization	15,943	16,736	(793)
Food, beverage and supplies	3,233	4,819	(1,586)
Aircraft maintenance materials, supplies and services	52,793	42,822	9,971
Airport and navigation fees	47,162	45,271	1,891
Aircraft rent	26,865	22,881	3,984
Terminal handling services	12,851	24,879	(12,028)
Other	29,949	31,827	(1,878)
	363,021	393,159	(30,138)

Operating expenses decreased from $393.2 million to $363.0 million, a decrease of $30.1 million. Under the CPA as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as ground handling services, facilities and deicing at the major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $15.5 million for the same period last year. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2015 $	 2014 $	 Change $
Adjusted salaries, wages and benefits	103,407	99,764	3,643
One-time flight attendant signing bonus	3,500	—	3,500
Stock-based compensation	(479)	2,570	(3,049)
Employee separation program costs	256	3,277	(3,021)
Capitalized major maintenance overhaul labour	(3,015)	(1,975)	(1,040)
	103,669	103,636	33

Salaries, wages and benefits were consistent with the same period last year from $103.6 million to $103.7 million. Adjusted salaries, wages and benefits increased $3.6 million primarily as a result of the Voyageur operation of $4.7 million and $1.7 million mostly related to wage and scale increases; offset by a pension curtailment gain of $2.8 million. As part of the newly ratified collective agreement with CFAU, Chorus incurred a $3.5 million one-time payment in the third quarter of 2015. Stock-based compensation decreased primarily as a result of fluctuations in Chorus' share price. Employee separation program costs paid during the quarter were $0.3 million compared to $3.3 million in the same period of 2014. Salaries and wages were also affected by more labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.0 million on a period-over-period comparison.

Aircraft fuel

Aircraft fuel cost decreased by $29.7 million from $100.3 million to $70.6 million. The decrease was primarily attributable to a decline in jet fuel prices which accounted for approximately $30.9 million. These decreases were offset by an increase in the volume of fuel consumed due to increased CPA Block Hours which accounted for $0.5 million and increases related to the Voyageur operation.

Depreciation and amortization

Depreciation and amortization expense decreased by $0.8 million from $16.7 million to $15.9 million. During the three months ended March 31, 2015, Chorus reviewed the estimated useful economic lives and residual values of certain owned aircraft and flight equipment. As a result, the expected estimated useful lives of these assets have been extended. The change in estimate reduced depreciation expense for the three months ended September 30, 2015 by approximately $4.1 million, compared to the same period last year. Depreciation associated with capitalized major maintenance overhauls decreased depreciation expense by $0.3 million. These decreases were offset by increased depreciation expenses related to Voyageur of $3.4 million and the purchase of additional aircraft during 2015 for $0.2 million.

Food, beverage and supplies

Food, beverage and supplies decreased by $1.6 million from $4.8 million to $3.2 million. Costs for certain services provided to Chorus by Air Canada are no longer billed. These Air Canada costs were $nil in the period compared to $0.4 million for the same period last year. Chorus negotiated new contracts in late 2014 for catering and commissary services which resulted in decreased costs of $1.0 million. The remaining difference resulted from decreased activity.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense increased by $10.0 million from $42.8 million to $52.8 million. An unfavourable US dollar exchange rate on certain maintenance material purchases accounted for a $7.5 million increase, increased Block Hours accounted for $0.5 million and the Voyageur operation accounted for $3.5 million. These increases were offset by more maintenance costs being capitalized as a result of increased major maintenance overhauls for a $1.5 million decrease.

Airport and navigation fees

Airport and navigation fees increased by $1.9 million from $45.3 million to $47.2 million. The increase related to rate changes as a result of changes in aircraft deployment and rate increases at certain airports.

Aircraft rent

Aircraft rent increased by $4.0 million from $22.9 million to $26.9 million. The increase was mainly due to an unfavourable US dollar exchange rate and the Voyageur operation.

Terminal handling services

Terminal handling costs decreased by $12.0 million from $24.9 million to $12.9 million. Costs for certain services provided to Chorus by Air Canada, such as ground handling and deicing at major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $12.4 million for the same period last year. In addition, deicing costs decreased by $0.2 million. These decreases were offset by increased rates as a result of changes in aircraft deployment of $0.4 million and the outsourcing of passenger handling services resulted in an increase of $0.2 million.

Other

Other expenses decreased by $1.9 million from $31.8 million to $29.9 million. Costs for certain services provided to Chorus by Air Canada, such as facilities at major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $2.7 million for the same period last year. This decrease was offset by increased costs related to the Voyageur operation of $3.7 million and general overhead increases of $0.9 million.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2015 $	 2014 $	 Change $
Non-operating income (expenses)			
Net interest expense	(3,795)	(3,078)	(717)
Gain on disposal of property and equipment	22	120	(98)
Foreign exchange loss	(27,529)	(16,036)	(11,493)
	(31,302)	(18,994)	(12,308)

Non-operating expenses increased by $12.3 million from $19.0 million to $31.3 million.

Net interest expense increased by $0.7 million. Interest expense related to long-term debt increased by $0.3 million due to an unfavourable US dollar exchange rate and $0.3 million related to interest on consideration payable.

The weakening of the Canadian dollar for the three months ended September 30, 2015 contributed to a foreign exchange loss of $27.5 million, compared to a foreign exchange loss of $16.0 million in the previous year. The US dollar exchange rate at September 30, 2015 was $1.3345 while the US dollar exchange rate at June 30, 2015 was $1.2490. The US dollar exchange rate at September 30, 2014 was $1.1200 while the US dollar exchange rate at June 30, 2014 was $1.0670. These rates are based on the closing day rate from the Bank of Canada.

6 YEAR-TO-DATE ANALYSIS

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2015 $	 2014 $	 Change $
Controllable Revenue	603,929	651,958	(48,029)
Aircraft leasing under the CPA	48,869	42,295	6,574
Fixed Margin and Infrastructure Fee per Covered Aircraft	82,240	—	82,240
Mark-up, including Compensating Mark-Up	—	88,568	(88,568)
Incentive revenue	16,062	16,837	(775)
CPA Pass-Through Revenue	391,978	448,708	(56,730)
Charter and other contract flying revenue	24,732	6,734	17,998
Passenger revenue	1,167,810	1,255,100	(87,290)
Other revenue	19,503	9,893	9,610
	1,187,313	1,264,993	(77,680)

Operating revenue decreased from $1,265.0 million to $1,187.3 million, representing a decrease of $77.7 million or 6.1%.

Controllable Revenue

Controllable Revenue decreased by $48.0 million or 7.4%. Certain items provided to Chorus by Air Canada, such as ground handling at major hubs and facilities have been removed from Controllable Revenue. Other items, such as third party ground handling services and catering and commissary, have been re-classified as Pass-Through Costs. The Controllable Revenue reduction related to these changes was $76.5 million. In addition, decreased Billable Block Hours accounted for a $5.3 million reduction in Controllable Revenue. These decreases were offset by a favourable US dollar exchange rate which resulted in a $31.3 million increase in the year and rate increases under the CPA accounted for an increase of approximately $2.5 million.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $6.6 million. This increase was related to a favourable US dollar exchange rate. Aircraft leasing revenue under the CPA is generated from the current 21 Q400 aircraft and four Q400 engines owned by JLI and leased to Jazz. The Q400 aircraft leasing revenue under the CPA is reflected in passenger revenue, and is designed to provide compensation to Chorus based on market lease rates.

Fixed Margin and Infrastructure Fee per Covered Aircraft and mark-up, including Compensating Mark-Up

Under the CPA as amended by the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Cost rates to a fixed fee arrangement. The mark-up and Compensating Mark-Up concepts have been eliminated. Based on the fleet plan agreed to as of the January 1, 2015 Amendment, compensation for 2015 is contractually set at $109.7 million annually, or $27.4 million quarterly.

In 2014, the Compensating Mark-Up formula contained in the CPA was applied and the Controllable Mark-Up was increased to compensate Chorus for reduced operating margin and increased Unit Costs resulting from the reduced Block Hours. As a result, Chorus recorded $4.1 million in Compensating Mark-Up in the third quarter of 2014 as an increase in operating revenue.

Incentive revenue

Incentives earned under the CPA decreased $0.8 million or 4.6%. For the nine months ended September 30, 2015, Chorus earned $16.1 million (2014 - $16.8 million) in performance incentives, or 91.7% (2014 - 91.7%) of the maximum available under the CPA as amended by the January 1, 2015 Amendment.

CPA Pass-Through Revenue

Pass-Through Revenue decreased by $56.7 million or 12.6%, from $448.7 million to $392.0 million, which included a decrease of $87.0 million related to fuel costs driven primarily by a decline in jet fuel prices. Under the CPA as amended by the January 1, 2015 Amendment, compensation for deicing and certain other costs provided to Chorus by Air Canada are no longer billed. Other costs, such as third party ground handling services and catering and commissary, have been re-classified to Pass-Through Costs and removed from Controllable Costs. This change increased Pass-Through Revenue by $25.7 million. In addition, a favourable US dollar exchange rate resulted in a $6.3 million increase in the year.

Charter and other contract flying revenue

Charter and other contract flying revenue increased $18.0 million or 267.3%. New contract flying revenue from the Voyageur operation accounted for $20.2 million; offset by decreased Jazz charter revenue of $2.2 million.

Other revenue

Other revenue increased by $9.6 million primarily related to increased sale of consignment inventory and new revenue from the Voyageur operation which includes leasing and maintenance repair and overhaul.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2015 $	 2014 $	 Change $
Operating expenses			
Salaries, wages and benefits	328,322	311,170	17,152
Aircraft fuel	205,775	292,400	(86,625)
Depreciation and amortization	42,098	49,218	(7,120)
Food, beverage and supplies	9,105	13,443	(4,338)
Aircraft maintenance materials, supplies and services	153,838	124,265	29,573
Airport and navigation fees	130,828	127,060	3,768
Aircraft rent	77,917	69,534	8,383
Terminal handling services	42,973	80,200	(37,227)
Other	93,421	92,786	635
	1,084,277	1,160,076	(75,799)

Operating expenses decreased from $1,160.1 million to $1,084.3 million, a decrease of $75.8 million or 6.5%. Under the CPA as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as ground handling services, facilities and deicing at the major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $50.9 million for the same period last year. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2015 $	 2014 $	 Change $
Adjusted salaries, wages and benefits	311,355	300,453	10,902
One-time signing bonuses	13,500	—	13,500
Stock-based compensation	9,591	6,460	3,131
Employee separation program costs	1,876	10,617	(8,741)
Capitalized major maintenance overhaul labour	(8,000)	(6,360)	(1,640)
	328,322	311,170	17,152

Salaries, wages and benefits increased by $17.2 million from $311.2 million to $328.3 million. Adjusted salaries, wages and benefits increased by $10.9 million as a result of increased pension costs and the Voyageur operation. As part of the newly ratified collective agreements with ALPA and CFAU, Chorus incurred a $13.5 million one-time payment in 2015. Stock-based compensation increased primarily as a result of Chorus' increased share price. Employee separation program costs paid during the year were $1.9 million compared to $10.6 million from the same period of

2014. Salaries and wages were also affected by more labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.6 million on a year-over-year comparison.

Aircraft fuel

Aircraft fuel cost decreased by $86.6 million from $292.4 million to $205.8 million. The decrease was primarily attributable to a decline in jet fuel prices which accounted for approximately $84.2 million and a decrease in the volume of fuel consumed due to decreased CPA Block Hours, which accounted for $3.4 million. These decreases were offset by increases related to the Voyageur operation.

Depreciation and amortization

Depreciation and amortization expense decreased by $7.1 million from $49.2 million to $42.1 million. During the three months ended March 31, 2015, Chorus reviewed the estimated useful economic lives and residual values of certain owned aircraft and flight equipment. As a result, the expected estimated useful lives of these assets have been extended. The change in estimate reduced depreciation expense for the nine months ended September 30, 2015 by approximately $11.5 million, compared to the same period last year. Depreciation associated with capitalized major maintenance overhauls decreased depreciation expense by $1.0 million. These decreases were offset by increased depreciation related to the Voyageur operation of $5.1 million and the purchase of additional aircraft in 2015 for $0.3 million.

Food, beverage and supplies

Food, beverage and supplies decreased by $4.3 million from $13.4 million to $9.1 million. Certain food services provided to Chorus by Air Canada are no longer billed. These Air Canada costs were $nil in the period compared to $1.2 million for the same period last year. Chorus negotiated new contracts in late 2014 for catering and commissary services which resulted in decreased costs of $2.4 million. The remaining difference resulted from decreased activity.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense increased by $29.6 million from $124.3 million to $153.8 million. An unfavourable US dollar exchange rate on certain maintenance material purchases accounted for a $17.3 million increase, increased engine overhauls accounted for $5.3 million, other maintenance costs accounted for $2.4 million and the Voyageur operation accounted for $6.8 million. These increases were offset by decreased Block Hours which accounted for $1.1 million and more maintenance costs being capitalized as a result of increased major maintenance overhauls accounted for a $1.1 million decrease.

Airport and navigation fees

Airport and navigation fees increased by $3.8 million from $127.1 million to $130.8 million. The increase related to rate changes as a result of changes in aircraft deployment and rate increases at certain airports.

Aircraft rent

Aircraft rent increased by $8.4 million from $69.5 million to $77.9 million. The increase was mainly due to an unfavourable US dollar exchange rate and increased costs related to the Voyageur operation.

Terminal handling services

Terminal handling costs decreased by $37.2 million from $80.2 million to $43.0 million. Ground handling and deicing provided to Chorus by Air Canada at the major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $41.7 million for the same period last year. Also, decreased activity accounted for $0.9 million. These decreases were offset by increased deicing costs of $1.3 million and increased rates as a result of changes in aircraft deployment of $1.2 million. In addition, the outsourcing of passenger handling services resulted in an increase of $2.9 million.

Other

Other expenses increased by $0.6 million from $92.8 million to $93.4 million. The increase was due to increased costs from the Voyageur operation of $6.1 million and increased crew costs related to training and travel of $2.5 million. Offsetting these increases were costs for certain services provided to Chorus by Air Canada that are no longer billed. These Air Canada costs were $nil in the period compared to $7.9 million for the same period last year.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2015 $	 2014 $	 Change $
Non-operating income (expenses)			
Net interest expense	(10,572)	(12,690)	2,118
Gain on disposal of property and equipment	182	207	(25)
Foreign exchange loss	(55,719)	(17,820)	(37,899)
Other	500	500	—
	(65,609)	(29,803)	(35,806)

Non-operating expense increased by $35.8 million from $29.8 million to $65.6 million.

In 2014, Chorus redeemed all of the Debentures, which accounted for a decrease in interest expense of $3.2 million for the nine months ended September 30, 2015. Interest expense related to long-term debt increased by $0.5 million related to an unfavourable US dollar exchange rate for the nine months ended September 30, 2015. In addition, interest expense increased by $0.3 million related to interest on consideration payable.

The weakening of the Canadian dollar for the nine months ended September 30, 2015 contributed to a foreign exchange loss of $55.7 million, compared to a foreign exchange loss of $17.8 million in the previous year. The US dollar exchange rate at September 30, 2015 was $1.3345 while the US dollar exchange rate at December 31, 2014 was $1.1601. The US dollar exchange rate at September 30, 2014 was $1.1200 while the US dollar exchange rate at December 31, 2013 was $1.0636. These rates are based on the closing day rate from the Bank of Canada.

In 2014 and 2015, Chorus met certain employment conditions required in order to obtain the maximum annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia for both years, and as such $0.5 million was recorded in other income.

7 FLEET

The following table provides the number of aircraft in Chorus' fleet of Operating Aircraft as at September 30, 2015 and December 31, 2014.

Operating Aircraft	December 31, 2014	First Nine Months 2015 Fleet Changes		September 30, 2015(1)
		Additions	Removals	
Regional Jets				
Canadair Regional Jet CRJ200	26	7	(1)	32
Canadair Regional Jet CRJ705	16	—	—	16
Turboprop Aircraft				
Beechcraft King Air 100	—	2	—	2
De Havilland Dash 7-100	—	2	—	2
De Havilland Dash 8-100	34	—	—	34
De Havilland Dash 8-300	28	6	—	34
Bombardier Q400	21	—	—	21
	125	17	(1)	141

(1) Excludes the purchase of one King Air 200 acquired on August 25, 2015 and one Q400 aircraft acquired on September 29, 2015 as these aircraft were not in operation as at September 30, 2015.

As of September 30, 2015, Chorus' fleet of Operating Aircraft consisted of 120 Covered Aircraft under the CPA,17 aircraft under Voyageur and four aircraft under Jazz charter.

8 SUMMARY OF FINANCIAL RESULTS

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters.

(unaudited)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Chorus								
Total revenue ($000)	412,157	400,055	375,101	401,298	432,576	417,836	414,581	413,227
Net income (loss) ($000)	6,320	31,411	(24,756)	11,338	11,252	36,498	5,622	8,755
Adjusted net income(1) ($000)	31,443	23,834	8,921	23,697	29,004	22,197	20,334	20,811
Adjusted net income(1), excluding other items ($000)	35,199	25.454	21,000	25,022	32,281	26,698	23,173	22,052
Adjusted EBITDA(1) ($000)	65,079	52,064	27,991	49,823	56,153	50,663	47,319	48,932
Adjusted EBITDA(1), excluding other items ($000)	68,835	53,684	40,070	51,148	59,430	55,164	50,158	50,173
Net income (loss) per Share, basic ($)	0.05	0.26	(0.21)	0.09	0.09	0.30	0.05	0.07
Net income (loss) per Share, diluted ($)	0.05	0.25	(0.21)	0.09	0.09	0.29	0.05	0.07
Adjusted net income(1) per Share, basic ($)	0.26	0.20	0.07	0.20	0.24	0.18	0.17	0.17
Adjusted net income(1), excluding other items per Share - basic ($)	0.29	0.21	0.17	0.21	0.27	0.22	0.19	0.18
FTE employees (end of period)(2)	4,473	4,467	4,132	4,130	4.216	4,320	4,344	4,371
Number of Operating Aircraft (end of period)(3)	141	141	125	125	125	125	125	127
Jazz								
Departures	68,842	65,190	59,983	62,535	68,532	65,539	61,912	63,483
Block Hours	97,135	90,362	85,691	87,957	96,168	91,032	89,088	90,304
Billable Block Hours	98,209	91,559	89,104	89,674	96,776	91,770	92,643	92,610
Number of Covered Aircraft (end of period)	120	120	122	122	122	122	122	122

(1) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures.
(2) Includes 273 FTEs for Voyageur for Q3 2015 and 283 FTEs for Voyageur Q2 2015.
(3) In Q3 and Q2 2015, number includes 17 aircraft for Voyageur and four aircraft for Jazz charter

Under the CPA, Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year, principally as a result of the high number of leisure travelers and their preference for travel during the summer months. The operations of Voyageur are not generally affected by seasonality. Seasonality also has little effect on the other lines of business operated by Chorus. The Company has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with passenger load factors.

9 PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2015 to 2019:

(unaudited) (expressed in thousands of Canadian dollars)	2015 $	2016 $	2017 $	2018 $	2019 $
Defined benefit pension plans, current service	26,000	26,700	26,000	23,800	21,500
Defined benefit pension plan, past service	12,100	9,200	9,200	9,200	9,200
Defined contribution pension plans	9,200	10,800	11,200	11,700	12,300
Projected pension funding obligations	47,300	46,700	46,400	44,700	43,000

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Jazz pilots' registered defined benefit pension plan ("Pilot DB Plan") as well as an unregistered defined benefit supplemental executive retirement plan ("SERP DB Plan") that Chorus sponsors for eligible employees. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Pilot DB Plan are based on the January 1, 2015 financial position of the plan for funding purposes and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the SERP DB Plan are based on a funding policy adopted by Chorus and the January 1, 2015 financial position of the plan for funding purposes.

The estimated Pilot DB Plan current service funding obligations have increased over previous estimates as a result of the January 1, 2015 funding valuation which reflects a decrease in the going concern discount rate from 5.75% to 4.25%. The decrease in the discount rate is related to changes in the investment policy to reduce equity and interest rate risk by increasing the fixed income portion of the invested assets, and further by increasing the duration of the fixed income investments to more closely align with the liability duration.

The solvency deficiency for the Pilot DB Plan as at January 1, 2015 was $50.3 million compared with $13.3 million as at January 1, 2014. The increase in the solvency deficiency is due to the decrease in the solvency discount rate from 3.8% to 2.9% during the year, offset by past service contributions of $14.0 million and favorable investment returns at 10.7%.

The January 1, 2015 financial position of the Pilot DB Plan for funding purposes applies an average of the solvency ratio over a three year period.

The foregoing contains forward-looking information and actual pension funding obligations may vary. These projections are based on certain assumptions including actuarial determinations, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees, and are subject to certain risks including changes in economic conditions, investment returns generated by the plan assets and interest rates, each of which may impact the financial position of the pension plans sponsored by Chorus and future required contributions. Please refer to Section 3 - Introduction, "Caution regarding forward-looking information", Section 15 - Critical Accounting Estimates, and Section 21 - Risk Factors for further risks related to this forward-looking information. The current estimated pension funding obligations differ from previous estimates as a result of, among other things, the factors listed above.

10 LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At September 30, 2015, Chorus had $50.4 million in cash and cash equivalents and $1.8 million of restricted cash (letters of credit), for a total of $52.2 million, a decrease of $65.6 million from December 31, 2014. This decrease is primarily attributable to the net cash consideration of $45.5 million ($47.0 million used at closing, net of $1.5 million available at Voyageur covering the performance obligation assumed on acquisition related to the deferred revenue recognized on certain contracts) used in connection with the acquisition of Voyageur on May 1, 2015.

Chorus' current liquidity needs are primarily related to meeting obligations associated with the following: planned capital expenditures, including acquisitions for purposes of business diversification, ongoing operations, covenants in aircraft and engine financing agreements, repayment and interest costs related to long-term debt and generating sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors).

The airline business is capital intensive and highly sensitive to uncertain external circumstances (refer to Section 3 - Introduction, "Caution regarding forward-looking information" and Section 21 - Risk Factors). As a result, Chorus' main objectives when managing capital are to provide a strong capital base to maintain Shareholder, creditor and market confidence and to sustain future development of the business. Chorus manages its capital structure and makes adjustments to it in light of changes in economic conditions and Chorus' risk profile.

Cash balances are monitored daily and fluctuations are primarily tied to the CPA payment schedule. The CPA payment schedule allows for a gradual draw-down of cash throughout the month and funds are refreshed in two payment tranches. The January 1, 2015 Amendment resulted in some expenses moving to Pass-Through Costs that were previously Controllable Costs and some costs now being borne by Air Canada. As a result, there was an impact on timing of payments by Air Canada. Controllable Revenue is still paid in advance on the first business day of the month. Pass-Through Revenue (excluding fuel) is now paid on the 23rd of the month or the business day prior if the 23rd is a non-business day. Revenue associated with fuel and the reconciliation of Controllable Revenue continues to be paid on the 30th of the month or the business day prior if the 30th is a non-business day. This payment timing means that Chorus typically has its highest cash balances at the beginning of the month and the lowest cash balance is the day before the fuel revenue and the reconciliation of Controllable Revenue is paid. Fuel was transitioned to Air Canada on November 1, 2015. This change does not adversely impact Chorus' cash flow and minimum cash positions.

Working capital

The following table provides information on Chorus' working capital balances as at September 30, 2015 and as at December 31, 2014:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2015 $	December 31, 2014 $	Change $
Cash and cash equivalents	50,405	114,578	(64,173)
Accounts receivable	91,510	66,229	25,281
Other current assets	67,407	60,250	7,157
Accounts payable and accrued liabilities	(217,806)	(215,325)	(2,481)
Dividends payable	(4,889)	(4,509)	(380)
Current portion of long-term debt and finance leases	(46,145)	(38,728)	(7,417)
Current portion of long-term incentive plan	(4,813)	(6,358)	1,545
Current portion of consideration payable	(11,319)	—	(11,319)
Income tax payable	(9,095)	—	(9,095)
Net working deficit	(84,745)	(23,863)	(60,882)

As at September 30, 2015, the working capital deficit increased to $84.7 million, from the December 31, 2014 deficit of $23.9 million. This change was primarily as a result of the Voyageur acquisition (additional information was discussed above), increased long-term debt resulting from new Q400 aircraft financing, an unfavourable US dollar exchange rate and increased accounts payable. This was offset by increased accounts receivable. The changes in accounts payable and accounts receivable are primarily as a result of the January 1, 2015 Amendment to the CPA and the acquisition of Voyageur.

Sources and uses of cash

The following table provides information on Chorus' cash flows for the three and nine months ended September 30, 2015 and September 30, 2014.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2015 $	2014 $	Change $	Nine months ended September 30, 2015 $	2014 $	Change $
Sources of Cash:						
Cash provided by operating activities before net changes in non-cash balances related to operations	55,951	52,163	3,788	126,033	147,098	(21,065)
Net changes in non-cash balances related to operations	—	10,177	(10,177)	—	7,749	(7,749)
Restricted cash related to aircraft financing	—	—	—	5,930	—	5,930
Long-term borrowings	23,725	—	23,725	23,725	—	23,725
Other	748	120	628	1,641	207	1,434
Total sources	**80,424**	**62,460**	**17,964**	**157,329**	**155,054**	**2,275**
Uses of Cash:						
Net changes in non-cash balances related to operations	(8,267)	—	(8,267)	(19,618)	—	(19,618)
Repayment of long-term debt and obligations under finance leases	(10,564)	(7,836)	(2,728)	(31,449)	(24,240)	(7,209)
Redemption of convertible debentures	—	—	—	—	(80,201)	80,201
Repurchase of Shares under normal course issuer bid	—	(1,063)	1,063	—	(8,357)	8,357
Dividends	(14,667)	(22,622)	7,955	(42,765)	(50,194)	7,429
Business acquisition, net of cash acquired	—	—	—	(45,474)	—	(45,474)
Additions to property and equipment	(52,362)	(5,116)	(47,246)	(85,944)	(19,722)	(66,222)
Total usage	**(85,860)**	**(36,637)**	**(49,223)**	**(225,250)**	**(182,714)**	**(42,536)**
Effect of foreign exchange on cash and cash equivalents	**1,376**	**3,270**	**(1,894)**	**3,748**	**3,270**	**478**
Net change in cash and cash equivalents during the periods	**(4,060)**	**29,093**	**(33,153)**	**(64,173)**	**(24,390)**	**(39,783)**
Cash and cash equivalents – Beginning of periods	**54,465**	**106,418**	**(51,953)**	**114,578**	**159,901**	**(45,323)**
Cash and cash equivalents – End of periods	**50,405**	**135,511**	**(85,106)**	**50,405**	**135,511**	**(85,106)**

Sources of cash

Sources of cash for the three months ended September 30, 2015 were $80.4 million, an increase of $18.0 million. The increase was mainly the result of long-term borrowings related to the acquisition of a Q400 aircraft and a higher cash flow from operating activities.

Sources of cash for the nine months ended September 30, 2015 were $157.3 million, an increase of $2.3 million. The increase was mainly the result of long-term borrowings related to the acquisition of a Q400 aircraft and the return of restricted cash for the release of security related to Q400 aircraft financing.

Uses of cash

Uses of cash for the three months ended September 30, 2015 was $85.9 million, an increase of $49.2 million. Capital expenditures were $52.4 million, compared to $5.1 million in the same period of 2014. The increase related to the purchase of aircraft (which consisted of two Dash 8-300, one King Air 200 and one Q400), deposits made for additional aircraft, increased major maintenance overhauls and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Refer to the table below entitled capital expenditures for further detail. Additional uses of cash consisted of negative changes in non-cash working capital and payments related to long-term debt and obligations under finance leases increased by $2.7 million. In the second quarter of 2014, Chorus repurchased Shares under the normal course issuer bid ("NCIB") of $1.1 million.

Uses of cash for the nine months ended September 30, 2015 was $225.3 million, an increase of $42.5 million. On May 1, 2015, Chorus acquired Voyageur for net cash consideration of $45.5 million. For the nine months ended September 30, 2015 there were capital expenditures of $85.9 million, compared to $19.7 million in the same period of 2014. The increase was related to the purchase of aircraft (which consisted of one Dash 8-100, two Dash 8-300, one King Air 200 and one Q400), deposits made for additional aircraft and increased major maintenance overhauls. Refer to the table below entitled capital expenditures for further details. Additional uses of cash consisted of negative changes in non-cash working capital and payments related to long-term debt and obligations under finance leases increased by $7.2 million. In the first six months of 2014, Chorus redeemed Debentures in the amount of $80.2 million and repurchased Shares under the NCIB of $8.4 million.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 18, 2015 for information regarding Chorus' contractual obligations and other commitments. Except as noted below, there have been no material changes to debt and lease obligations during the three and nine months ended September 30, 2015.

On September 29, 2015, pursuant to its Q400 aircraft purchase agreement with Bombardier Inc., Chorus took delivery of one new Q400 aircraft and drew EDC financing in the amount of $23.7 million. As well, obligations under finance leases increased $7.2 million related to the renewal of leases for two Dash 8-300's.

The majority of the following future repayments of long-term debt (including new EDC financing) and finance leases are payable in US dollars and have been converted to Canadian dollars at $1.3345, which was the exchange rate in effect at the end of day closing September 30, 2015.

	$
No later than one year	46,145
Later than one year and no later than five years	198,698
Later than five years	219,661
	464,504

Capital commitments

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier, and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional Q400 aircraft. Based on the list price for the Q400 aircraft, the firm order for a total of 13 Q400 aircraft is valued at approximately US$424.0 million, and could increase to US$758.0 million if the options to purchase all additional ten aircraft are exercised. Chorus has committed to spend an additional $129.0 million in the last quarter of 2015 and $180.0 million in 2016 related to these Q400 aircraft (US dollar amounts were converted to Canadian dollars at 1.3345, which was the exchange rate in effect at the end of day closing September 30, 2015). Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program ("ESP"). The ESP is expected to extend the service life of the Dash 8-300 aircraft by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the program is anticipated to begin in early 2017. The cost for each aircraft that undergoes the ESP installation includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost for the years 2016, 2017, 2018 and 2019 is expected to be approximately $1.3 million, $19.1 million, $28.7 million and $13.7 million, respectively (US dollar amounts were converted to Canadian dollars at 1.3345, which was the exchange rate in effect at the end of day closing September 30, 2015). Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

Chorus has also committed to purchase an additional four Dash 8-100 aircraft which were previously leased from Air Canada Capital Ltd. and an additional King Air 200 aircraft. Chorus has committed to spend an additional $13.0 million in the last quarter of 2015 related to these aircraft. Chorus has a non-binding indicative offer for long-term financing on the aircraft from a financial institution for approximately $27.5 million, to cover these aircraft in addition to the one Dash 8-100, two Dash 8-300, and one King Air previously purchased. Chorus plans to conclude these negotiations in the last quarter of 2015 and draw on this facility.

Credit facilities

Chorus' subsidiaries have a combined total of $36.0 million in secured revolving credit facilities and an additional US $6.0 million secured facility specifically for letters of credit (US$2.8 million have been issued). A portion of one of the revolving credit facilities can also facilitate the issuance of letters of credit (US$0.6 million has been issued).

Capital expenditures

The following table provides a breakdown of capital expenditures on a quarter over quarter and year over year basis.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30,			Nine months ended September 30,		
	2015 $	2014 $	Change $	2015 $	2014 $	Change $
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP Program	2,099	1,887	212	8,646	8,893	(247)
Capitalized major maintenance overhauls	7,668	3,229	4,439	16,586	10,829	5,757
Finance leases	7,191	—	7,191	7,191	—	7,191
Aircraft acquisitions and ESP program	43,795	—	43,795	61,912	—	61,912
Total capital expenditures(1)	60,753	5,116	55,637	94,335	19,722	74,613

(1) Includes non-cash transactions of $7.2 million for finance leases and $1.2 million for other aircraft purchases for the three and nine months ended September 30, 2015.

Shares

At November 6, 2015, the issued and outstanding Shares of Chorus, were as follows:

(unaudited)	November 6, 2015	December 31, 2014
Issued and outstanding Shares		
Class A Variable Voting Shares	8,089,252	5,191,462
Class B Voting Shares	114,143,145	115,061,477
Total issued and outstanding Shares	122,232,397	120,252,939
Shares potentially issuable **Stock-based compensation plans**	3,254,683	2,240,202
Total outstanding and potentially dilutive shares	125,487,080	122,493,141

Dividends

For the three and nine months ended September 30, 2015, Chorus declared dividends of $14.7 million and $43.1 million, respectively (2014 - $13.6 million and $40.9 million, respectively). For the three and nine months ended September 30, 2015, Chorus paid dividends of $14.7 million and $42.8 million, respectively (2014 - $22.6 million and $50.2 million, respectively).

On February 18, 2015, Chorus announced an increase in the monthly dividend from $0.0375 to $0.04 per Share, effective with the March dividend for Shareholders of record at the close of business on March 31, 2015 and payable on April 17, 2014. Chorus' Board of Directors evaluates the dividend on a regular basis and dividends are declared at the discretion of the Board.

11 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 11 of Chorus' annual MD&A dated February 18, 2015. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

12 RELATED PARTY TRANSACTIONS

As at September 30, 2015, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Section 13 of Chorus' annual MD&A dated February 18, 2015 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

14 ECONOMIC DEPENDENCE

For a detailed description of the CPA with Air Canada, including the January 1, 2015 Amendment, please refer to Section 2 and Section 14 of Chorus' annual MD&A dated February 18, 2015.

15 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates (refer to Section 3 – Introduction, "Caution regarding forward-looking information"). The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the year ended December 31, 2014. Information regarding Chorus' critical accounting estimates is disclosed in Section 15 of Chorus' annual MD&A dated February 18, 2015. There are no changes regarding critical accounting estimates for the three months ended September 30, 2015, with the exception of those described below:

Operating revenue

Under the CPA as amended by the January 1, 2015 Amendment, Chorus and Air Canada are to re-set detailed rates applicable to the year ending December 31, 2015. The new rates will be retroactive to January 1, 2015. The negotiation of these rates has not been completed. As a result, Chorus used rates based both on contractually obligated costs and a mutually agreed upon interim escalation rate of 1.25% plus the prior year's rate as the basis for estimating CPA operating revenues during the nine-month period ended September 30, 2015. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. As such, Chorus' revenue is subject to judgement and estimate uncertainty. If the negotiated rates were to differ 1% from the current estimate being used, the amount of operating revenue recognized under the CPA for the nine months ended September 30, 2015 would change by approximately $5.3 million.

Depreciation of long-lived assets

In the first quarter of 2015, Chorus reviewed the estimated useful economic lives of its owned aircraft and flight equipment. As a result, the expected estimated useful economic lives of certain of these assets have been extended and there was no significant impact related to the residual values. The effect of these changes was a reduction to depreciation expense for the three and nine months ended September 30, 2015 of approximately $7.0 million and $17.8 million, respectively. The impact of this change was offset by flight equipment acquired in 2014 and 2015 and capitalized major maintenance overhauls for a net reduction in depreciation period-over-period and year-over-year of approximately $4.4 million and $12.5 million, respectively.

Business combinations

Chorus applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of an entity is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair value of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair value of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by Chorus is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in profit or loss.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer relationships and trade name. To determine the fair value of these customer based intangible assets, significant assumptions were made, which include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

16 ACCOUNTING POLICIES

The significant accounting policies of Chorus are described in note 3 of the December 31, 2014 consolidated financial statements of Chorus with any changes to these policies noted below.

New accounting policies

Principles of consolidation

These financial statements include the accounts of Chorus and its subsidiaries. Subsidiaries are all entities which Chorus controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. All inter-company balances and transactions are eliminated.

Intangible assets

Intangible assets are recorded at cost. Chorus has intangible assets with indefinite lives and intangible assets with finite lives as follows:

Trade name	Indefinite life - not amortized
Customer relationships	Finite life - amortized on a straight line basis over 3-5 years

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

17 CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, our certifying officers have limited the scope of their design of disclosure controls and procedures ("DC&P"), and our Company's internal control over financial reporting ("ICFR") to exclude controls, policies and procedures relating to the acquisition of Voyageur (as it was acquired in the second quarter of 2015) and they have not yet performed sufficient procedures to include it in our certifications. National Instrument 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's financial year-end be excluded from the scope of the certifications to allow it sufficient time to perform adequate procedures to ensure controls, policies and procedures are effective. Voyageur will be transitioned to the Company's processes later in 2015 and the related scope limitation will be removed for 2016 certificates. Summary financial information for Voyageur includes revenue of $18.7 million and $31.3 million and Adjusted EBITDA of $4.8 million and $7.1 million for the three months ended September 30, 2015 and the period May 1, 2015 to September 30, 2015, respectively. Information concerning assets and liabilities acquired is provided in note 4 of the Chorus September 30, 2015 unaudited interim condensed consolidated financial statements.

Chorus' DC&P have been designed to provide reasonable assurance that information required to be disclosed in any public filings is recorded, processed, summarized and reported on a timely basis. Chorus' ICFR has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Chorus' annual 2014 MD&A dated February 18, 2015, contains a statement that the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Chorus' DC&P and ICFR are effective based upon an evaluation of these controls and procedures at December 31, 2014.

Chorus filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators along with the 2014 annual financial statements and MD&A. In those filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Chorus' DC&P and the design and effectiveness of ICFR. The CEO and CFO also certified the appropriateness of the financial disclosures in Chorus' interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO certified that both Chorus' DC&P and ICFR have been designed, based on the framework established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, to provide reasonable assurance regarding the reliability of Chorus' financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to inherent limitations, ICFR and DC&P can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Chorus' ICFR that occurred during the third quarter of fiscal 2015 that has materially affected, or is reasonably likely to materially affect, Chorus' ICFR.

18 2015 OUTLOOK

The discussion that follows represents forward-looking information (refer to Section 3 - Introduction, "Caution regarding forward-looking information"). This outlook is provided for the purpose of providing information about current expectations for 2015 and includes Voyageur. This information may not be appropriate for other purposes.

Effective January 1, 2015, Billable Block Hours no longer directly affect CPA compensation, but remain relevant for rate setting on Controllable Costs. Based on the 2015 winter schedule, the summer 2015 schedule and updated planning assumptions received from Air Canada, Billable Block Hours are expected to be between 367,000 and 370,000 for the year ending December 31, 2015. The actual number of Billable Block Hours for 2015 may vary from this anticipated range due to a number of factors. See Section 21 - Risk Factors.

Capital expenditures for 2015, excluding those for the acquisition of finance leases, aircraft and the ESP program, are expected to be between $33.0 million and $39.0 million. The increase in 2015 reflects higher anticipated major maintenance overhauls and additional spend for Voyageur.

(unaudited) (expressed in thousands of Canadian dollars)	Planned 2015 $	Actual Year to date September 30, 2015(1) $	Actual Year ended December 31, 2014 $
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP Program	11,000 to 14,000	8,646	12,693
Capitalized major maintenance overhauls	22,000 to 25,000	16,586	12,857
Finance leases	19,000 to 20,000	7,191	—
Aircraft acquisitions and ESP program(2)	205,000 to 210,000	61,912	40,343
	257,000 to 269,000	94,335	65,893

(1) Includes non-cash transactions of $7.2 million for finance leases and $1.2 million for other aircraft purchases for the three and nine months ended September 30, 2015.
(2) Includes the acquisition of: five Dash 8-100, two Dash 8-300, two Beechcraft King Air 200, six Q400 aircraft and ongoing deposits for the Q400 aircraft and ESP program. All amounts have been converted using a foreign exchange rate of $1.3345 with the exception of the five Dash 8-100 aircraft which will be acquired in Canadian dollars.

19 ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form is available on SEDAR at www.sedar.com or on Chorus' website at www.chorusaviation.ca, under Reports.

20 NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, described below, to evaluate and assess performance. These non-GAAP measures are generally numerical measures of a company's financial performance, financial position or cash flows, that include or exclude amounts from the most comparable GAAP measure. As such, these measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure. Adjusted EBITDA (net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus, and commonly by other regional airlines in the industry, as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and factors such as historical cost. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements. While the one-time signing bonuses, CPA advisory fees and employee separation program costs have been included within our definition of adjusted EBITDA, it is shown separately below to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars)	**Three months ended September 30,** **2015** **$**	 **2014** **$**	 **Change** **$**	**Nine months ended September 30,** **2015** **$**	 **2014** **$**	 **Change** **$**
Net income	6,320	11,252	(4,932)	12,975	53,372	(40,397)
Add:						
Net interest expense	3,795	3,078	717	10,572	12,690	(2,118)
Income tax expense	11,514	9,171	2,343	24,452	21,742	2,710
Depreciation and amortization	15,943	16,736	(793)	42,098	49,218	(7,120)
EBITDA	**37,572**	**40,237**	**(2,665)**	**90,097**	**137,022**	**(46,925)**
Gain on disposal of property and equipment	(22)	(120)	98	(182)	(207)	25
Foreign exchange loss	27,529	16,036	11,493	55,719	17,820	37,899
Other	—	—	—	(500)	(500)	—
Adjusted EBITDA	**65,079**	**56,153**	**8,926**	**145,134**	**154,135**	**(9,001)**
Other items:						
One-time signing bonuses	3,500	—	3,500	13,500	—	13,500
CPA advisory fees	—	—	—	2,079	—	2,079
Employee separation program	256	3,277	(3,021)	1,876	10,617	(8,741)
Adjusted EBITDA, excluding other items	*68,835*	*59,430*	*9,405*	*162,589*	*164,752*	*(2,163)*

Adjusted Net Income

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and finance leases related to aircraft. Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of our financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar. While the one-time signing bonuses, CPA advisory fees and employee separation program costs have been included within our definition of adjusted net income, it is shown separately to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2015 $	2014 $	Change $	2015 $	2014 $	Change $
Net income for the periods	6,320	11,252	(4,932)	12,975	53,372	(40,397)
Unrealized foreign exchange loss	25,123	17,752	7,371	51,223	18,163	33,060
Adjusted net income	**31,443**	**29,004**	**2,439**	**64,198**	**71,535**	**(7,337)**
Adjusted net income per Share - basic	**0.26**	**0.24**	**0.02**	**0.53**	**0.59**	**(0.06)**
Other items:						
One-time signing bonuses	3,500	—	3,500	13,500	—	13,500
CPA advisory fees	—	—	—	2,079	—	2,079
Employee separation program	256	3,277	(3,021)	1,876	10,617	(8,741)
Adjusted net income, excluding other items	*35,199*	*32,281*	*2,918*	*81,653*	*82,152*	*(499)*
Adjusted net income, excluding other items per Share - basic	*0.29*	*0.27*	*0.02*	*0.67*	*0.68*	*(0.01)*

Return on Invested Capital

Return on Investment Capital is a non-GAAP measure commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average Shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds the head lease.

(unaudited) (expressed in thousands of Canadian dollars)	Trailing twelve months ended September 30, 2015 $	 December 31, 2014 $	 Change $
Income before income taxes	56,831	94,518	(37,687)
Unrealized foreign exchange on long-term debt and finance leases	63,582	30,522	33,060
Income before income taxes (and unrealized foreign exchange on long-term debt and finance leases)	120,413	125,040	(4,627)
Add:			
Finance costs	14,731	16,895	(2,164)
Implicit interest in operating leases(1)	4,442	3,816	626
	139,586	145,751	(6,165)
Invested capital:			
Average long-term debt(2)	428,065	442,696	(14,631)
Average obligations under finance leases(3)	5,921	4,891	1,030
Average consideration payable(4)	14,955	—	14,955
Average Shareholders' equity	137,609	158,021	(20,412)
Off-balance sheet aircraft leases(5)	63,462	54,514	8,948
	650,012	660,122	(10,110)
Return on invested capital(6)	21.5%	22.1%	(0.6)%

(1) Interest implicit in operating leases is equal to 7.0 percent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 percent is a proxy and does not necessarily represent actual for any given period.
(2) Average long-term debt includes the current portion and long-term portion.
(3) Average obligations under finance leases include the current portion and long-term portion.
(4) Average obligations under consideration payable include the current portion and long-term portion.
(5) Off-balance sheet aircraft leases are calculated by multiplying the annual aircraft leasing expense by 7.5 only for aircraft which Chorus holds the head lease. For the trailing twelve months ended September 30, 2015 and December 31, 2014, these aircraft lease expenses totaled $8.5 million and $7.3 million, respectively.
(6) Aircraft rent was $101.7 million and $93.4 million for the trailing twelve months ended September 30, 2015 and December 31, 2014, respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $93.3 million and $86.1 million for the trailing twelve months ended September 30, 2015 and December 31, 2014, respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included, return on invested capital would be 14.0% and 14.6%, respectively.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at September 30, 2015 and as at December 31, 2014:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2015 $	December 31, 2014 $	Change $
Long-term debt, finance leases	464,504	407,410	57,094
Consideration payable	29,909	—	29,909
Total long-term debt and finance leases (including current portion)	494,413	407,410	87,003
Less: Cash and cash equivalents	(50,405)	(114,578)	64,173
Net debt	444,008	292,832	151,176
Capitalized operating leases	63,462	54,514	8,948
Adjusted net debt	507,470	347,346	160,124

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was $101.7 million and $93.4 million for the trailing twelve months ended September 30, 2015 and December 31, 2014, respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $93.3 million and $86.1 million for the trailing twelve months ended September 30, 2015 and December 31, 2014, respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, adjusted net debt would be $1,207.0 million and $993.0 million, respectively.

As at September 30, 2015, adjusted net debt increased from $347.3 million to $507.5 million, representing an increase of $160.1 million or 46.1% from December 31, 2014. This increase was a result of a higher US dollar exchange rate which increased long-term debt by approximately $57.3 million, new debt and finance leases of $30.9 million, consideration payable related to the Voyageur acquisition of $29.9 million, net cash used for the Voyageur acquisition of $45.5 million, cash to make the $13.5 million one-time signing bonuses in 2015, $2.1 million related to advisory fees for the January 1, 2015 Amendment and deposits made on additional Q400 aircraft and the ESP program of $22.2 million. These increases were offset by debt repayments of $28.3 million.

21 RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Chorus, the industry, the structure of Chorus and current legal proceedings refer to the Section entitled “Risk Factors” in Chorus' 2014 Annual MD&A dated February 18, 2015, and Chorus’ Annual Information Form dated March 30, 2015.

There have been no material changes to the risk factors disclosed in those documents, other than as described below.

The risk factors described below are additional risk factors associated with Chorus as a result of the acquisition of the Voyageur business.

International operations and doing business in foreign countries

As a result of the acquisition of Voyageur, Chorus has expanded its footprint to include international contract flying. As a result, Chorus has become exposed to increased operational complexity and new regulatory requirements. In addition, operating in diverse international regions increases the risk of Chorus being exposed to political instability and military and/or civil conflict. Should Chorus not be able to effectively mitigate the impact on its business of these additional complexities, regulatory requirements and other risks, this may have an adverse effect on Chorus’ business, results of operations and financial condition.

Renewal of customer agreements and competition

There can be no assurance that any of Voyageur’s agreements with customers can or will be renewed on the same terms and conditions, or in the same amounts as are currently in effect. If such agreements are renewed, the terms and conditions will be subject to negotiation between Voyageur and each customer at the time of renewal. Voyageur competes for this business with contract air carriers from around the world.

22 GLOSSARY OF TERMS

"**ALPA**" means the Air Line Pilots Association;

"**Billable Block Hours**" mean actual Block Hours flown and Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

"**Block Hours**" mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are next again returned to the wheels of the aircraft, divided by 60;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CFAU**" means the Canadian Flight Attendant Union;

"**Chorus**" references herein to Chorus or the Company in this MD&A refer to, as the context may require, one or more of Chorus Aviation Inc. and its current and former subsidiaries;

"**Compensating Mark-Up**" has the meaning formerly given in the CPA, before the January 1, 2015 CPA Amending Agreement;

"**Controllable Costs**" mean for any period, all costs and expenses incurred and paid by Chorus other than Pass-Through Costs;

"**Controllable Revenue**" means revenue received from Air Canada in payment of various rates established under the CPA from time to time;

"**Covered Aircraft**" means Chorus’ aircraft subject to the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended by the Rate Amending Agreements and the CPA Amending Agreements, and as may be further amended;

"**CPA Amending Agreements**" means the agreements to amend the CPA dated September 22, 2009, March 8, 2011, June 21, 2012, June 6, 2013 and January 1, 2015;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB");

"**Debentures**" mean the $80.2 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus fully redeemed during 2014;

"**Departure**" means one take off of an aircraft;

"**EDC**" means Export Development Canada;

"**ESP**" means the agreement entered into by Chorus with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program to extend the service life of the Dash-8-300 aircraft;

"**Fixed Margin per Covered Aircraft**" has the meaning given in the CPA;

"**Flight Completion**" means the percentage of flights completed from flights originally scheduled;

"**Flight Hours**" has the meaning given in the CPA;

"**FTE**" means full-time equivalents in respect of employee staffing levels;

"**GAAP**" means generally accepted accounting principles in Canada after the adoption of IFRS;

"**IASB**" means the International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards;

"**Infrastructure Fee per Covered Aircraft**" has the meaning given in the CPA;

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010;

"**Jazz Aircraft Financing Inc.**" or "**JAFI**" means Jazz Aircraft Financing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Leasing Inc.**" or "**JLI**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity, which excludes Q400 aircraft and engine purchases;

"**MD&A**" means Chorus' management's discussion and analysis of results of operations and financial condition;

"**Operating Aircraft**" means the aircraft in Chorus' fleet, less aircraft which have not yet entered commercial service;

"**Pass-Through Costs**" has the meaning given in the CPA;

"**Pass-Through Revenue**" means revenue received from Air Canada under the CPA in payment of Pass-Through Costs;

"**PAWOBs**" means passengers arriving without baggage;

"**Q400 aircraft**" means Bombardier Q400 NextGen turboprop aircraft;

"**Rate Amending Agreements**" means the agreements to amend and re-set the rates between Jazz and Air Canada dated July 6, 2009, August 6, 2012, and June 3, 2013;

"**Shareholders**" mean holders of Shares;

"**Shares**" mean common shares of Chorus Aviation Inc., which includes Class A Variable Voting Shares and Class B Voting Shares;

"**Unit Costs**" has the meaning given in the CPA; and

"**Voyageur**" means 519222 Ontario Limited, a holding company incorporated under the Business Corporations Act (Ontario) on December 23, 1982 that owns Voyageur Airways Limited and its related companies.