AMENDED AND RESTATED

Third Quarter 2016
Management's Discussion
and Analysis of Results of Operations
and Financial Condition

Footnote (1) on page 27 has been revised to correct a clerical error.

November 8, 2016

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chorus aviation inc.

1 OVERVIEW

The financial and operating highlights for Chorus are as follows:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30,			Nine months ended September 30,		
	2016 $	2015 $	Change $	2016 $	2015 $	Change $
Operating revenue	331,097	412,157	(81,060)	961,751	1,187,313	(225,562)
Adjusted EBITDA,(1) excluding other items	69,965	68,835	1,130	178,712	162,589	16,123
Adjusted net income,(1) excluding other items	28,748	35,199	(6,451)	70,812	81,653	(10,841)
Net income	20,055	6,320	13,735	99,110	12,975	86,135
Adjusted net income,(1) excluding other items per Share - basic ($)	0.24	0.29	(0.05)	0.58	0.67	(0.09)

1) This is a non-GAAP measurement. Refer to Section 17 – Non-GAAP Financial Measures.

Highlights

- Seventh consecutive quarter of strong operational and financial performance under the CPA with Air Canada;
- Advanced the business revenue diversification strategy through increased aircraft leasing under the CPA;
- Improved Jazz's cost competitiveness and continued to focus on fleet modernization;
- Established Voyageur's Avparts business; and
- Announced expansion of the aircraft leasing business with Air Nostrum transaction.

Quarter summary

Chorus continues to generate positive operating income and cash flows from operations. Chorus' subsidiaries performed well in the third quarter and within management's expectations, generating adjusted earnings, excluding other items per share of $0.24. The focus in the third quarter was centered on advancing the business diversification strategy, improving Jazz's cost competitiveness, fleet modernization, and establishing Voyageur's Avparts business. Jazz continued to experience lower labour costs in the quarter due to increased efficiencies under collective agreements.

In the third quarter of 2016, Chorus reported revenue and Adjusted EBITDA, excluding other items, of $331.1 million, and $70.0 million, respectively, versus 2015 comparative figures of $412.2 million and $68.8 million, respectively. This represents a 19.7% decline in revenue and a 1.6% increase in Adjusted EBITDA, excluding other items.

- Approximately $75.6 million or 93.2% of the reduction in revenue was due to the fact that, under the CPA, Jazz ceased purchasing and billing Air Canada for fuel and certain other costs. Operating expenses were also lower by the same amount.
- An additional $10.1 million or 12.5% reduction in revenue was largely due to lower Controllable Revenue which was generally driven by lower operating costs.
- Excluding these two items, operating revenue increased by $4.6 million or 1.2%, due primarily to an increase in aircraft leasing under the CPA of $8.7 million, partially offset by lower charter, contract flying and other revenue of $4.1 million.

Adjusted EBITDA, excluding other items was $70.0 million in the third quarter of 2016 and increased $1.1 million, or 1.6%, compared to the same period of 2015, at $68.8 million. The increase was primarily driven by the $4.6 million increase in revenue, partially offset by:

- the absence of the $2.8 million curtailment gain under the pilot pension plan recorded in 2015, as a result of the flow of Jazz pilots to Air Canada;
- increased operating costs related to a $2.6 million reduction in capitalized labour and maintenance costs on owned aircraft for major maintenance overhauls;
- increased stock-based compensation of $2.2 million, resulting from fluctuations in Chorus' stock price;
- increased expenses related to business development and financing activities outside of the CPA of $1.5 million; and
- a decrease in other expenses of $5.6 million, including those related to the Voyageur operation.

Adjusted net income, excluding other items of $28.7 million, declined quarter over quarter by $6.5 million, or 18.3%. The $1.1 million increase in Adjusted EBITDA, excluding other items was primarily offset by:

- $5.3 million in additional depreciation expense primarily related to new aircraft; and
- $1.9 million of additional net interest expense on long-term debt.

Net income was $20.1 million, an increase of $13.7 million over 2015. The increase was due primarily to a $16.6 million decline in unrealized foreign exchange losses on long-term debt and a $3.5 million decline in signing bonuses, partially offset by the previously noted $6.5 million decline in adjusted net income, excluding other items.

Year to date summary

For the nine months ended September 30, 2016, Chorus reported revenue and Adjusted EBITDA, excluding other items, of $961.8 million and $178.7 million, respectively, versus 2015 comparative figures of $1,187.3 million and $162.6 million, respectively. This represents a 19.0% decline in revenue and a 9.9% increase in adjusted EBITDA, excluding other items.

- Approximately $220.1 million or 97.6% of the reduction in revenue was due to the fact that, under the CPA, Jazz ceased purchasing and billing Air Canada for fuel and certain other costs. Operating expenses were also lower by the same amount.
- An additional $36.0 million or 16.0% reduction in revenue was largely due to lower Controllable Revenue which was generally driven by lower operating costs.
- Excluding these two items, operating revenue increased by $33.3 million or 2.8% due primarily to increases in aircraft leasing under the CPA of $23.1 million, and increased charter, contract flying and other revenue of $9.7 million, primarily related to an additional four months of revenue for Voyageur. Chorus acquired Voyageur on May 1, 2015, and therefore, the 2016 results include an additional four months of activity for the Voyageur operation.

Adjusted EBITDA, excluding other items was $178.7 million for the nine months ended September 30, 2016 and increased $16.1 million or 9.9%, compared to the same period of 2015 at $162.6 million. The increase was primarily driven by the $33.3 million increase in revenue, partially offset by:

- increased operating costs related to a $4.7 million reduction in capitalized labour and maintenance costs on owned aircraft for major maintenance overhauls;
- the absence of the $2.8 million curtailment gain under the pilot pension plan recorded in 2015 as a result of the flow of Jazz pilots to Air Canada;
- increased expenses related to business development and financing activities outside the CPA of $4.7 million;
- costs associated with fleet transition of $1.7 million; and
- an increase in other expenses of $3.3 million, including those related to the Voyageur operation.

Adjusted net income, excluding other items of $70.8 million declined year over year by $10.8 million, or 13.2%. The $16.1 million increase in Adjusted EBITDA, excluding other items was offset by:

- $17.6 million in additional depreciation expense primarily related to new aircraft and Voyageur;
- $5.4 million of additional net interest expense on long-term debt;
- higher net income tax of $0.7 million; and
- higher net foreign exchange loss (excluding unrealized foreign exchange loss) of $3.2 million.

Net income was $99.1 million, an increase of $86.1 million over 2015. The increase was due primarily to a $88.7 million decline in unrealized foreign exchange losses on long-term debt and a $8.0 million decline in signing bonuses, partially offset by the previously noted $10.8 million decline in adjusted net income, excluding other items.

Expansion of the aircraft leasing business with Air Nostrum transaction

Chorus is seeking opportunities to increase its regional aircraft leasing activity outside of the CPA as management recognizes regional aircraft leasing as a growing market segment with few established providers. Chorus plans to purchase and lease four new CRJ1000s to Air Nostrum, and has secured a letter of offer from EDC for debt financing of up to 80% of the net purchase price of each CRJ1000. The four aircraft are scheduled to be delivered in November and December 2016, and July and October 2017. Founded in 1994, and headquartered in Valencia, Spain, Air Nostrum is a leading European regional airline carrying over 4 million passengers annually. With a fleet of 42 aircraft, Air Nostrum operates over 75,000 flights annually to 54 domestic and international destinations. Since 1997 Air Nostrum has been a franchise partner of Iberia, Spain's leading national and international carrier, and is an affiliate of the oneworld® airline alliance.

Chorus expects definitive documentation for the EDC loan facility and leases with Air Nostrum for the 2016 aircraft deliveries to be completed in the fourth quarter of 2016. These transactions remain subject to the successful negotiation and execution of definitive agreements and related documentation. Please refer to Section 2 - Introduction, "Caution regarding forward-looking information".

Operational performance

Chorus earned $4.7 million (2015 - $4.8 million) in Performance Incentives, or 80.1% (2015 - 81.8%) of the maximum available under the CPA for the three months ended September 30, 2016. For the nine months ended September 30, 2016, Chorus earned $16.1 million (2015 - $16.1 million) in Performance Incentives, or 91.2% (2015 - 91.7%) of the maximum available under the CPA.

Jazz continued to have strong operational performance during the third quarter of 2016 and ranked among the top Canadian carriers for on-time performance and flight completion, as reported by FlightStats Inc., a leading global flight and airport information service.

2 INTRODUCTION

In this MD&A, references to Chorus 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. Please refer to the Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

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, 2016, the audited consolidated financial statements of Chorus for the year ended December 31, 2015, Chorus' annual MD&A dated February 18, 2016, and Chorus' Annual Information Form dated February 18, 2016. 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 8, 2016.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 18 – Risk Factors.

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

Caution regarding forward-looking information

This MD&A may contain "forward-looking information" as defined under applicable Canadian securities legislation. Forward-looking information typically contains words such as “anticipate”, “believe”, “could”, "should", “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar words and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information relates 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 information, by its nature, is based on assumptions, including those described below, and is subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, external events, changing market conditions 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. Factors that may cause results to differ materially from expectations regarding the transactions with Air Nostrum and EDC include, without limitation, that: Chorus is unable to reach agreement with either or both of Air Nostrum or EDC in relation to the terms and conditions of the aircraft leases or the loan facility for the CRJ1000s; any consents or approvals of third parties required to give effect to these transactions are not obtained; the conditions precedent to these transactions are not fulfilled by any one or more of the parties to the transactions; or the delivery of the aircraft by the manufacturer is delayed or cancelled. Results indicated in forward-looking information may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus’ economic dependence on and relationship with Air Canada; risks relating to the airline industry (including the international operation of aircraft in developing countries and areas of unrest); airline leasing (including the financial condition of leases, fluctuations in aircraft market values, and political risks); 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); increased competition affecting Chorus and/or Air Canada; insurance issues and costs; supply issues and costs; the risk of war, terrorist attacks, aircraft incidents and accidents; epidemic diseases, environmental factors or acts of God; changes in demand due to the seasonal nature of Chorus' business or general economic conditions; the ability to reduce operating costs and employee counts; the ability of Chorus to secure financing; the ability of Chorus to attract and retain the talent required for its existing operations and future growth; the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts; employee relations, labour negotiations or disputes; pension issues and costs; currency exchange and interest rates; leverage and restrictive covenants contained in debt facilities; 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 18 - Risk Factors. Examples of forward-looking information in this MD&A include the discussion in Section 1 - Overview - Expansion of the aircraft leasing business with Air Nostrum transaction and the 2016 outlook discussion in Section 15 - 2016 Outlook. The statements containing forward-looking information in this MD&A represent Chorus’ expectations as of November 8, 2016 and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

3 THE CHORUS BUSINESS

Chorus was incorporated on September 27, 2010 pursuant to the CBCA, and has various regional aviation interests including Jazz and Voyageur. Chorus is focused on cost control and sustainable cost reduction and efficiencies under the CPA with Air Canada, diversification and growth of Adjusted EBITDA by leveraging Chorus' aviation expertise, and enhancing Shareholder value.

Jazz

In Canada, Jazz operates the largest regional airline and the third largest airline based on passengers carried. Jazz is party to the CPA with Air Canada, under which Air Canada purchases the capacity of Covered Aircraft operated by Jazz under the Air Canada Express brand on routes determined by Air Canada. Under the CPA, Jazz is required to provide Air Canada with the capacity of Covered Aircraft, all crews and applicable personnel, aircraft maintenance, some airport, flight operations and general overhead support for such flights. Air Canada determines routes and controls scheduling, sets ticket prices, determines seat inventories, and performs marketing and advertising for these flights. Air Canada bears all of the commercial risk, retains all revenue derived from the sale of seats to passengers and cargo services, and pays Jazz for the capacity provided. The CPA is in effect until December 31, 2025.

Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder regional network to 57 destinations in Canada and 13 destinations in the United States, using 113 Covered Aircraft as at September 30, 2016. In addition, Jazz also provided airport services at 36 airports in Canada as at September 30, 2016.

Jazz earns revenue under the CPA in five ways:

1) Controllable Revenue
2) Fixed fees
3) Performance Incentives
4) Aircraft leasing
5) Pass-Through Revenue

Under the CPA, Chorus is paid Controllable Revenue rates, based on Controllable Costs, using variables such as Block Hours, Flight Hours, cycles and passengers carried, as well as certain variable and fixed aircraft ownership rates and fixed rates.

Chorus is also compensated by the industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation under the CPA: Fixed Margin per Covered Aircraft and 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.

Performance Incentives are available for achieving established performance targets under the CPA.

Jazz Leasing leases owned Q400s and engines into the Jazz operation under the CPA. Under this arrangement, Chorus earns aircraft leasing revenue under the CPA from Q400s and Q400 engines. Annually, these aircraft and engines currently generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

Jazz is also entitled to repayment of certain defined Pass-Through Costs, including navigation, landing and terminal fees and certain other costs.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

Controllable Costs	Operating expense line	Rate Period
Crew wages & benefits(1)	Salaries, wages and benefits	Fixed
All other salaries, wages and benefits(2)	Salaries, wages and benefits	Annually
Depreciation and amortization	Depreciation and amortization	3 years
Aircraft maintenance, materials and supplies	Aircraft maintenance, materials and supplies	Annually
Chorus Q400s leased through CPA	Aircraft rent	Lease term
Third party operating leases	Aircraft rent	3 years
Air Canada and subsidiary leases to Chorus	Aircraft rent	3 years
All other terminal handling services	Terminal handling services	Annually
Other(3)	Other	Annually
Pass-Through Costs(4)	**Operating expense line**	
Third party food and beverage costs	Food, beverage and supplies	-
Airport and navigation fees	Airport and navigation fees	-
Third party ground handling	Terminal handling services	-
Aircraft maintenance materials, supplies	Aircraft maintenance materials, supplies	-
Aircraft parking	Other	-
Interrupted trips & baggage delivery	Other	-
Station supplies for processing passengers	Other	-
Third party facilities	Other	-

1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow. Rates are in effect until December 31, 2025 (expiry of CPA).
2) Reset annually, subject to certain conditions.
3) Including but not limited to such costs as crew variable expense, professional fees, travel, training, etc.
4) Billed monthly to Air Canada.

Value Drivers of the CPA

Chorus believes the CPA delivers Shareholder value by:

- Providing a long-term horizon of predictable compensation levels that support the current dividend and future investments;
- Aligning the interests of Chorus and Air Canada, and strengthening the relationship;
- Promoting Chorus' market competitiveness through cost reduction initiatives such as the modernization of the Jazz fleet and the ability to flow senior pilots to Air Canada;
- Securing long-term market competitive labour agreements with Jazz pilots, flight attendants, dispatch and maintenance employees until 2025;
- Reducing reliance on the Fixed Margin per Covered Aircraft and Infrastructure Fee per Covered Aircraft through growth in the cash margin generated by aircraft leasing under the CPA; and
- Securing a solid foundation from which to grow and diversify Chorus' group of companies.

Outside of the CPA, Jazz has a dedicated, standalone charter fleet and has the ability to offer aircraft operator services such as ground handling, dispatching, maintenance, repair and overhaul services, flight load planning, training and consulting.

Voyageur

Voyageur Airways is a Transport Canada approved air operator and provides specialized contract flying operations to Canadian and international customers in four primary segments: ad-hoc charter services; ACMI operations; aeromedical operations; and special flying missions. The ACMI contracts involve medical, logistical and humanitarian flights for customers comprised primarily of government entities and international non-governmental organizations.

Voyageur Aerotech is a maintenance, repair and overhaul provider that offers specialized engineering and maintenance services. As a Transport Canada approved maintenance organization and design approval organization, Voyageur Aerotech provides in-house engineering design and certification services for all levels of aircraft to international and Canadian clients. Voyageur Aerotech is also an approved maintenance organization with the United States Federal Aviation Administration and the European Aviation Safety Agency. Voyageur Aerotech activities are also supported by its Transport Canada approval for the manufacture of aeronautical products. Its engineering services include general technical support, facilities maintenance activities and custom design solutions including supplemental type certificate approvals.

On October 12, 2016, Voyageur Avparts commenced business as a company specializing in a wide range of regional aircraft supply chain services. Voyageur Avparts serves airlines, maintenance organizations, leasing companies, and other aviation-related companies in the provisioning of aircraft parts, inventory management, inventory consignment services, component repair and overhaul, and aircraft disassembly management.

Fleet

The following table provides the total number of aircraft in Chorus' fleet as at September 30, 2016 and December 31, 2015.

(unaudited)	December 31, 2015	2016 Fleet Changes			September 30, 2016
		Additions	Removals	Transfers	
Covered Aircraft					
CRJ200s	20	—	(7)	—	13
CRJ705s	16	—	—	—	16
Dash 8-100s	28	—	—	(9)	19
Dash 8-300s	26	—	—	—	26
Q400s (leased from third parties)	—	5	—	—	5
Q400s (owned and leased under the CPA)	27	7	—	—	34
Total Covered Aircraft	117	12	(7)	(9)	113
Jazz Charter Aircraft					
CRJ200s	1	—	—	—	1
Dash 8-300s	2	—	—	—	2
Charter Aircraft	3	—	—	—	3
Voyageur Operational Aircraft					
CRJ200s	7	—	—	—	7
King Air 100s	2	—	(2)	—	—
King Air 200s	—	1	—	1	2
Dash 8-100s	1	—	—	(1)	—
Dash 8-300s	5	—	—	—	5
Total Voyageur Operational Aircraft	15	1	(2)	—	14
Leased to a third party					
Dash 8-100s	—	—	—	1	1
Dash 8-300s	1	—	—	—	1
Total Leased to a third party	1	—	—	1	2
Non-Operational Aircraft					
King Air 200s	1	—	—	(1)	—
Dash 7-100s	2	—	—	—	2
Dash 8-100s	5	—	(2)	9	12
Total Non-Operational Aircraft	8	—	(2)	8	14
Total Aircraft	144	13	(11)	—	146

CPA Fleet Movements

During 2016, pursuant to its Q400 purchase agreement with Bombardier, Chorus took delivery of seven new Q400s and one spare PW150A engine and drew additional EDC financing for 80% of the total purchase price. This brings the total number of Q400s owned by Chorus and leased into the CPA as Covered Aircraft to 34.

In accordance with the agreement reached with Air Canada in late 2015 to add ten incremental aircraft to the CPA fleet, Chorus began operating five Q400s leased from a third party during the first half of 2016 and will take delivery of five CRJ900s in the last quarter of 2016.

On April 26, 2016, Chorus announced that it had signed a firm purchase agreement with Bombardier for these five CRJ900s. The order also includes purchase rights for an additional five CRJ900s. Once delivered, the five firm-ordered aircraft will be operated by Jazz under the Air Canada Express brand pursuant to the CPA. Based on the list price of the CRJ900s, the firm order is valued at approximately US$229.0 million and could increase to US$467.0 million should Chorus exercise all of its purchase rights. Chorus has a commitment from EDC to finance up to 80% of the net purchase price for the five firm orders. The new CRJ900s will be Covered Aircraft and generate leasing revenue under the CPA with terms and economics similar to those of the Q400s currently generating leasing revenue under the CPA.

Additionally, with Bombardier's technical assistance, Jazz will reconfigure its current 16 CRJ705s into CRJ900s with 76 seats. Jazz will also reconfigure 21 Q400s currently in its fleet with an additional four seats to increase each aircraft's passenger capacity to 78. All 37 of the aircraft to be reconfigured are currently operated under the Air Canada Express brand pursuant to the CPA.

Air Canada advised that the Air Canada Express Q400 fleet of aircraft will be consolidated into the Jazz operation. Jazz will become the sole operator of Q400s for Air Canada. The movement of these Q400s will begin by mid-January 2017 with all five aircraft transferring to the Jazz fleet in early 2017, bringing the Jazz fleet of Q400s to 44. As these aircraft will be added later than originally planned, this will reduce the previously anticipated number of Q400s in the Covered Aircraft as at December 31, 2016 from 42 to 39. The change in timing of these aircraft deliveries will not impact the anticipated CPA fixed fee compensation in 2016. Please refer to Section 2 - Introduction, "Caution regarding forward-looking information". This aircraft consolidation results in the Montreal-Toronto City Centre route being operated by Jazz going forward.

Other Fleet Developments

On February 3, 2016, Chorus purchased a King Air 200 from a third party. The purchase price, including modifications, was $2.8 million. This aircraft is operated by Voyageur for its New Brunswick Air Ambulance contract and replaces an older aircraft.

On April 4, 2016, Chorus signed an agreement with EDC to provide a financing facility up to US$50.0 million. This new facility will allow Chorus to finance previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s, and three CRJ200s, none of which are Covered Aircraft. This facility will also be used to finance any refurbishment work required on the aircraft to operationalize them for deployment. The facility may also be used for the purchase of future aircraft and engines, as commercial opportunities arise. On June 29, 2016, Chorus made the initial draw down of the facility in the amount of US$16.8 million or CAD$21.9 million.

Recent Business Developments

On February 19, 2016, Chorus announced that Jazz's maintenance and engineering employees had ratified the tentative collective agreement reached on January 28, 2016. The term of the collective agreement expires on December 31, 2025.

During the second quarter of 2016, Jazz began the transition of its heavy maintenance business to a separate division of Jazz, under a new AMO certificate and business structure. The new division, named Jazz Technical Services ("JTS"), will focus on the heavy maintenance and repair of Bombardier regional aircraft. This division has secured a five-year agreement with Air Georgian to perform heavy maintenance on its fleet of CRJ100s and CRJ200s. The work commenced in late June and will be accommodated within Jazz's three existing heavy maintenance lines.

On November 7, 2016, JTS secured an additional contract for its MRO division. It reached an agreement with Air Canada to refurbish the interior of Jazz's Dash 8-300s, which will be completed over the next two to three years. Jazz's Dash 8-300s remain an important part of the CPA fleet plan and will continue to operate until 2025. The interior refurbishment initiative will begin in December 2016.

4 THIRD QUARTER ANALYSIS

The results of operations include revenue and expenses for Voyageur since May 1, 2015.

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	 2015 $	 Change $
Controllable Revenue	196,247	206,342	(10,095)
Aircraft leasing revenue under the CPA	25,652	16,940	8,712
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,662	27,418	244
Incentive revenue	4,724	4,775	(51)
CPA Pass-Through Revenue	58,740	134,354	(75,614)
Charter and other contract flying revenue	12,155	13,820	(1,665)
Passenger revenue	325,180	403,649	(78,469)
Other revenue	5,917	8,508	(2,591)
	331,097	412,157	(81,060)

Operating revenue decreased $81.1 million or 19.7% compared with the same period in 2015, due largely to the fact that Jazz ceased billing Air Canada for fuel under the CPA starting November 1, 2015.

Controllable Revenue

Controllable Revenue decreased by $10.1 million or 4.9%. The decrease was mainly attributable to decreases under the CPA, related to cost reductions, such as flight crew salaries, wages and benefits and fleet transitions. This reduction in revenue is consistent with the increased focus on Controllable Cost reductions to improve market competitiveness under the CPA. Also, decreased CPA Billable Block Hours and a change in the US dollar exchange rate contributed to a decline in controllable revenue.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $8.7 million. The increase was attributable to 13 additional Q400s added in the fourth quarter of 2015 and in the first nine months of 2016 and is consistent with Chorus' revenue diversification strategy. There were 34 Q400s in the fleet of Covered Aircraft as at September 30, 2016, compared to 21 Q400s as at September 30, 2015.

CPA Pass-Through Revenue

CPA Pass-Through Revenue decreased by $75.6 million or 56.3%, primarily because Jazz ceased billing for aircraft fuel under the CPA effective November 1, 2015. In addition, effective January 1, 2016, Air Canada entered into a new commercial agreement with YVR and certain other airports in connection with Jazz's CPA operations. Costs incurred at YVR and certain other airports related to airport fees and certain terminal handling services, which are Pass-Through Costs under the CPA, are now paid directly by Air Canada pursuant to this new agreement. Together, these two changes accounted for $74.3 million of the $75.6 million decrease in CPA Pass-Through Revenue.

Charter and other contract flying revenue

Charter and other contract flying revenue decreased by $1.7 million. The decrease was a result of a reduction in other contract flying.

Other revenue

Other revenue decreased by $2.6 million. Revenue from the Voyageur operation accounted for a $2.0 million decrease, and decreased ancillary revenue and sale of consignment inventory accounted for $0.6 million.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	 2015 $	 Change $
Operating expenses			
Salaries, wages and benefits	103,643	103,669	(26)
Aircraft fuel	878	70,556	(69,678)
Depreciation and amortization	21,253	15,943	5,310
Food, beverage and supplies	3,526	3,233	293
Aircraft maintenance materials, supplies and services	46,608	52,793	(6,185)
Airport and navigation fees	43,204	47,162	(3,958)
Aircraft rent	22,523	26,865	(4,342)
Terminal handling services	9,165	12,851	(3,686)
Other	31,755	29,949	1,806
	282,555	363,021	(80,466)

Operating expenses decreased by $80.5 million or 22.2%, compared with the same period in 2015, due primarily to the fact that aircraft fuel used in CPA operations ceased being invoiced to Jazz effective November 1, 2015. Costs incurred at YVR and certain other airports related to airport fees and certain terminal handling services are now paid directly by Air Canada pursuant to this new agreement. Together, these two changes accounted for $74.3 million of the $80.5 million decrease. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	 2015 $	 Change $
Adjusted salaries, wages and benefits	103,270	105,808	(2,538)
Curtailment gain	—	(2,848)	2,848
Signing bonuses	—	3,500	(3,500)
Stock-based compensation	2,216	(32)	2,248
Employee separation program costs	170	256	(86)
Capitalized major maintenance overhaul labour	(2,013)	(3,015)	1,002
	103,643	103,669	(26)

Adjusted salaries, wages and benefits decreased $2.5 million related to a reduction of flight crew costs. Jazz continued to experience lower labour costs in the quarter due to increased efficiencies under collective agreements. In 2015 Chorus recorded a curtailment gain of $2.8 million under its pilot pension plan related to the flow of pilots to Air Canada. Also, in 2015, Chorus incurred a $3.5 million signing bonus as part of the collective agreement ratified with its flight attendants. Stock-based compensation increased by $2.2 million as compared to the same period in 2015 primarily as a result of fluctuations in Chorus' share price. Employee separation program costs incurred during the quarter decreased by $0.1 million. Salaries and wages were also affected by fewer labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.0 million.

Aircraft fuel

Aircraft fuel cost decreased by $69.7 million from $70.6 million to $0.9 million. Costs for aircraft fuel incurred in CPA operations are no longer billed to Chorus effective November 1, 2015. Chorus still incurs fuel costs related to Jazz charters and some Voyageur operations.

Depreciation and amortization

Depreciation and amortization expense increased by $5.3 million from $15.9 million to $21.3 million. The purchase of additional aircraft during the second half of 2015 and the first nine months of 2016 accounted for $3.2 million. As well, depreciation associated with capitalized major maintenance overhauls increased $1.3 million, new finance leases accounted for a $0.6 million increase and increased depreciation expense related to Voyageur of $0.2 million.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense decreased by $6.2 million from $52.8 million to $46.6 million. Decreased Block Hours accounted for a $3.2 million decrease, fewer engine overhaul events accounted for a $2.3 million decrease, other maintenance costs decreased by $2.6 million, the Voyageur operation accounted for a $0.2 million decrease, and decreased cost of sales of consignment inventory accounted for $0.3 million. Decreasing maintenance costs in the Jazz operation is consistent with the fleet modernization initiative. These decreases were partially offset by a change in the US dollar exchange rate on certain maintenance material purchases which accounted for a $2.4 million increase.

Airport and navigation fees

Airport and navigation fees decreased by $4.0 million from $47.2 million to $43.2 million. Costs incurred at YVR and certain other airports by Chorus were $nil in the period compared to $2.6 million for the same period last year. Costs incurred at YVR and certain other airports related to airport fees are now paid directly by Air Canada. Also, changes in aircraft deployment accounted for a $1.4 million decrease.

Aircraft rent

Aircraft rent decreased by $4.3 million from $26.9 million to $22.5 million, consistent with Chorus' planned fleet modernization initiative. The decrease was mainly due to the return of five CRJ200s in the second half of 2015 and seven CRJ200s in the first half of 2016.

Terminal handling services

Terminal handling costs decreased by $3.7 million from $12.9 million to $9.2 million. Costs incurred at YVR and certain other airports by Chorus were $nil in the period compared to $2.2 million for the same period last year. Costs incurred at YVR and certain other airports related to certain terminal handling services are now paid directly by Air Canada. In addition, decreased flying activity and changes in aircraft deployment accounted for $1.5 million.

Other

Other expenses increased by $1.8 million from $29.9 million to $31.8 million. The increase was related to increased general overhead such as business development, financing activities, travel and training.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	 2015 $	 Change $
Non-operating income (expenses)			
Net interest expense	(5,696)	(3,795)	(1,901)
Gain on disposal of property and equipment	8	22	(14)
Foreign exchange loss	(10,782)	(27,529)	16,747
	(16,470)	(31,302)	14,832

Non-operating expenses decreased by $14.8 million from $31.3 million to $16.5 million.

Net interest expense increased by $1.9 million. Interest expense related to long-term debt increased by $2.0 million due to new Q400 long-term debt and a change in the US dollar exchange rate; offset by $0.1 million related to interest on consideration payable.

The weakening of the Canadian dollar for the three months ended September 30, 2016 contributed to a foreign exchange loss of $10.8 million, compared to a foreign exchange loss of $27.5 million in the same period of the previous year. The US dollar exchange rate at September 30, 2016 was $1.3117 while the US dollar exchange rate at June 30, 2016 was $1.2917. 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. These rates are based on the closing day rate from the Bank of Canada. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As a result, due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains/losses on long-term debt and finance leases do not affect current or future cash flows.

5 YEAR-TO-DATE ANALYSIS

The results of operations include revenue and expenses for Voyageur since May 1, 2015.

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2016 $	 2015 $	 Change $
Controllable Revenue	568,290	604,316	(36,026)
Aircraft leasing under the CPA	71,964	48,869	23,095
Fixed Margin and Infrastructure Fee per Covered Aircraft	82,588	82,240	348
Incentive revenue	16,124	16,062	62
CPA Pass-Through Revenue	169,185	391,978	(222,793)
Charter and other contract flying revenue	35,034	24,732	10,302
Passenger revenue	943,185	1,168,197	(225,012)
Other revenue	18,566	19,116	(550)
	961,751	1,187,313	(225,562)

Operating revenue decreased from $1,187.3 million to $961.8 million, representing a decrease of $225.6 million or 19.0%, due primarily to the fact that Jazz ceased billing Air Canada for fuel costs under the CPA starting November 1, 2015.

Controllable Revenue

Controllable Revenue decreased by $36.0 million or 6.0%. The decrease was mainly attributable to decreases under the CPA, related to cost reductions, such as flight and cabin crew. This reduction in revenue is consistent with the increased focus on Controllable Cost reductions to improve market competitiveness under the CPA. In addition, decreased CPA Billable Block Hours contributed to a decline in Controllable Revenue. These decreases were offset by a change in the US dollar exchange rate which increased controllable revenue.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $23.1 million. Of this increase, $20.7 million was attributable to revenue generated from the leasing of 13 additional Q400s in the fourth quarter of 2015 and first nine months of 2016 and is consistent with Chorus' revenue diversification strategy, and $2.4 million was attributable to a change in the US dollar exchange rate. There were 34 Q400s in the fleet of Covered Aircraft as at September 30, 2016, compared to 21 Q400s as at September 30, 2015.

CPA Pass-Through Revenue

CPA Pass-Through Revenue decreased by $222.8 million or 56.8%, from $392.0 million to $169.2 million. Effective November 1, 2015, compensation for aircraft fuel is no longer billed under the CPA. As well, effective January 1, 2016, Air Canada entered into a new commercial agreement with YVR and certain other airports in connection with Jazz's CPA operations. Costs incurred at YVR and certain other airports related to airport fees and certain terminal handling services, which are Pass-Through Costs under the CPA, are now paid directly by Air Canada pursuant to this new agreement. Together, these two changes accounted for $220.1 million of the $222.8 million decrease in CPA Pass-Through Revenue.

Charter and other contract flying revenue

Charter and other contract flying revenue increased $10.3 million. Since Chorus acquired Voyageur on May 1, 2015, 2016 includes an additional four months of contract flying for the Voyageur operation.

Other revenue

Other revenue decreased by $0.6 million. Decreased ancillary revenue and decreased sale of consignment inventory accounted for $4.0 million. This was offset by incremental MRO and leasing revenue of $3.4 million from the Voyageur operation.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2016 $	 2015 $	 Change $
Operating expenses			
Salaries, wages and benefits	326,227	328,322	(2,095)
Aircraft fuel	2,499	205,775	(203,276)
Depreciation and amortization	59,747	42,098	17,649
Food, beverage and supplies	9,429	9,105	324
Aircraft maintenance materials, supplies and services	136,621	153,838	(17,217)
Airport and navigation fees	121,726	130,828	(9,102)
Aircraft rent	68,326	77,917	(9,591)
Terminal handling services	28,677	42,973	(14,296)
Other	98,761	93,421	5,340
	852,013	1,084,277	(232,264)

Operating expenses decreased $232.3 million or 21.4% from $1,084.3 million to $852.0 million. Under the CPA, effective November 1, 2015, aircraft fuel is no longer billed to Chorus. Costs incurred at YVR and certain other airports related to airport fees and certain terminal handling services are now paid directly by Air Canada pursuant to this new agreement. Together, these two changes accounted for $220.1 million of the $232.3 million decrease. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2016 $	 2015 $	 Change $
Adjusted salaries, wages and benefits	315,188	315,003	185
Curtailment gain	—	(2,848)	2,848
Signing bonuses	5,500	13,500	(8,000)
Stock-based compensation	7,614	8,791	(1,177)
Employee separation program costs	3,727	1,876	1,851
Capitalized major maintenance overhaul labour	(5,802)	(8,000)	2,198
	326,227	328,322	(2,095)

Salaries, wages and benefits decreased by $2.1 million from $328.3 million to $326.2 million. Adjusted salaries, wages and benefits increased by $0.2 million. An additional four months of the Voyageur operation in 2016 resulted in increased salaries and wages. This increase was offset by decreased flight crew costs. Jazz continued to experience lower labour costs due to increased efficiencies under collective agreements. In 2015 Chorus recorded a curtailment gain of $2.8 million under its pilot pension plan related to the flow of pilots to Air Canada. In the first quarter of 2016, as part of the newly ratified collective agreement with its maintenance and engineering employees, Chorus incurred a $5.5 million signing bonus, while in 2015 Chorus incurred a $13.5 million signing bonus as part of the collective agreement ratified with its pilots and flight attendants. This accounted for a net decrease of $8.0 million. Stock-based compensation decreased $1.2 million primarily as a result of fluctuations in Chorus' share price. Employee separation program costs incurred during the period were $3.7 million compared to $1.9 million for the same period of 2015. Salaries and wages were also affected by fewer labour costs being capitalized on owned aircraft for major maintenance overhauls of $2.2 million.

Aircraft fuel

Aircraft fuel costs decreased by $203.3 million from $205.8 million to $2.5 million. Costs for aircraft fuel incurred in CPA operations are no longer billed to Jazz effective November 1, 2015. Chorus still incurs fuel costs related to Jazz charters and some Voyageur operations.

Depreciation and amortization

Depreciation and amortization expense increased by $17.6 million from $42.1 million to $59.7 million. The purchase of additional aircraft during the second half of 2015 and the first nine months of 2016 accounted for $9.4 million. As well, depreciation associated with capitalized major maintenance overhauls increased depreciation expense by $2.7 million, increased depreciation expense related to Voyageur was $3.1 million, new finance leases accounted for a $2.0 million increase and other depreciation expense increased $0.4 million

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense decreased by $17.2 million. Decreased Block Hours accounted for a $10.6 million decrease, fewer engine overhaul events accounted for a $6.3 million decrease, other maintenance costs decreased by $7.6 million, and decreased cost of sales of consignment inventory accounted for $2.0 million. Decreasing maintenance costs in the Jazz operation is consistent with the fleet modernization initiative. These decreases were offset by a change in the US dollar exchange rate on certain maintenance material purchases which accounted for a $6.5 million increase and the Voyageur operation accounted for a $2.8 million increase.

Airport and navigation fees

Airport and navigation fees decreased by $9.1 million from $130.8 million to $121.7 million. Costs incurred at YVR and certain other airports by Chorus were $nil in the period compared to $7.3 million for the same period last year. Costs incurred at YVR and certain other airports related to airport fees are now paid directly by Air Canada. Also, rate changes as a result of changes in aircraft deployment accounted for a $1.8 million decrease.

Aircraft rent

Aircraft rent decreased by $9.6 million from $77.9 million to $68.3 million, consistent with Chorus' planned fleet modernization initiative. The decrease was mainly due to the return of five CRJ200s in the second half of 2015 and seven CRJ200s in the first nine months of 2016, offset by a change in the US dollar exchange rate.

Terminal handling services

Terminal handling costs decreased by $14.3 million from $43.0 million to $28.7 million. Costs incurred at YVR and certain other airports by Chorus were $nil in the period compared to $9.5 million for the same period last year. Costs incurred at YVR and certain other airports related to certain terminal handling services are now paid directly by Air Canada. In addition, deicing costs decreased by $2.4 million and decreased flying activity and aircraft deployment accounted for $2.4 million.

Other

Other expenses increased by $5.3 million from $93.4 million to $98.8 million. The increase was due to costs from the Voyageur operation of $4.7 million (in 2016 there was an additional four months) and general overhead increases.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2016 $	 2015 $	 Change $
Non-operating income (expenses)			
Net interest expense	(15,990)	(10,572)	(5,418)
Gain on disposal of property and equipment	378	182	196
Foreign exchange gain (loss)	29,780	(55,719)	85,499
Other	313	500	(187)
	14,481	(65,609)	80,090

Non-operating expense decreased by $80.1 million from an expense of $65.6 million to an income of $14.5 million.

Net interest expense increased by $5.4 million. Interest expense related to long-term debt increased by $4.8 million due to new Q400 long-term debt and a change in the US dollar exchange rate, $0.2 million related to interest on consideration payable, and decreased interest revenue of $0.4 million.

The strengthening of the Canadian dollar for the nine months ended September 30, 2016 contributed to a foreign exchange gain of $29.8 million, compared to a foreign exchange loss of $55.7 million in the previous year. The US dollar exchange rate at September 30, 2016 was $1.3117 while the US dollar exchange rate at December 31, 2015 was $1.3840. 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. These rates are based on the closing day rate from the Bank of Canada. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As a result, due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains/losses on long-term debt and finance leases do not affect current or future cash flows.

In 2016 and 2015, Chorus met certain employment conditions required in order to obtain the annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia. For each year, $0.3 million and $0.5 million was recorded in other income, respectively.

6 SUMMARY OF FINANCIAL RESULTS

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

(unaudited)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Chorus								
Total revenue ($000)	331,097	310,104	320,550	357,368	412,157	400,055	375,101	401,298
Net income (loss) ($000)	20,055	23,657	55,398	12,512	6,320	31,411	(24,756)	11,338
Adjusted net income(1) ($000)	28,578	18,247	14,760	32,137	31,443	23,834	8,921	23,697
Adjusted net income,(1) excluding other items ($000)	28,748	21,804	20,260	33,715	35,199	25.454	21,000	25,022
Adjusted EBITDA(1) ($000)	69,795	54,258	45,432	64,108	65,079	52,064	27,991	49,823
Adjusted EBITDA,(1) excluding other items ($000)	69,965	57,815	50,932	65,686	68,835	53,684	40,070	51,148
Net income (loss) per Share, basic ($)	0.16	0.19	0.45	0.10	0.05	0.26	(0.21)	0.09
Net income (loss) per Share, diluted ($)	0.16	0.19	0.44	0.10	0.05	0.25	(0.21)	0.09
Adjusted net income(1) per Share, basic ($)	0.23	0.15	0.12	0.26	0.26	0.20	0.07	0.20
Adjusted net income,(1), excluding other items per Share - basic ($)	0.24	0.18	0.17	0.28	0.29	0.21	0.17	0.21
FTE employees (end of period)	4,440	4,504	4,412	4,445	4,473	4,467	4,132	4,130
Number of Aircraft (end of period)	146	145	143	144	143	141	125	125
Jazz								
Departures	62,161	57,344	56,601	61,650	68,842	65,190	59,983	62,535
Block Hours	90,672	81,472	81,517	87,617	97,135	90,362	85,691	87,957
Billable Block Hours	91,067	82,964	84,375	89,365	98,209	91,559	89,104	89,674
Number of Covered Aircraft (end of period)	113	109	110	116	120	120	122	122

(1) This is a non-GAAP measurement. Refer to Section 17 – Non-GAAP Financial Measures.

Under the CPA, Jazz 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 affected by seasonality. Seasonality also has little effect on the other lines of business operated by Chorus. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term.

7 LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations before net changes in non-cash balances, producing $147.0 million in the first nine months of 2016 compared to $126.0 million in the same period last year. Chorus' current liquidity needs are primarily related to meeting obligations associated with: 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 2 - Introduction, "Caution regarding forward-looking information" and Section 18 - 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.

Sources and uses of cash

The following table provides information on Chorus' cash flows for the three and nine months ended September 30, 2016 and September 30, 2015.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	2015 $	Change $	Nine months ended September 30, 2016 $	2015 $	Change $
Sources of Cash:						
Cash provided by operating activities before net changes in non-cash balances related to operations	58,623	55,951	2,672	146,963	126,033	20,930
Net changes in non-cash balances related to operations	14,349	—	14,349	—	—	—
Restricted cash related to aircraft financing	—	—	—	—	5,930	(5,930)
Long-term borrowings	46,216	23,725	22,491	188,736	23,725	165,011
Other	8	748	(740)	33	1,641	(1,608)
Total sources	**119,196**	**80,424**	**38,772**	**335,732**	**157,329**	**178,403**
Uses of Cash:						
Net changes in non-cash balances related to operations	—	(8,267)	8,267	(8,349)	(19,618)	11,269
Repayment of long-term debt and obligations under finance leases	(16,761)	(10,564)	(6,197)	(44,864)	(31,449)	(13,415)
Repayment of consideration payable	—	—	—	(12,438)	—	(12,438)
Dividends	(14,666)	(14,667)	1	(44,001)	(42,765)	(1,236)
Business acquisition, net of cash acquired	—	—	—	—	(45,474)	45,474
Additions to property and equipment	(66,770)	(52,362)	(14,408)	(215,599)	(85,944)	(129,655)
Total usage	**(98,197)**	**(85,860)**	**(12,337)**	**(325,251)**	**(225,250)**	**(100,001)**
Effect of foreign exchange on cash	**135**	**1,376**	**(1,241)**	**(1,008)**	**3,748**	**(4,756)**
Net change in cash during the periods	**21,134**	**(4,060)**	**25,194**	**9,473**	**(64,173)**	**73,646**
Cash – Beginning of periods	**21,016**	**54,465**	**(33,449)**	**32,677**	**114,578**	**(81,901)**
Cash – End of periods	**42,150**	**50,405**	**(8,255)**	**42,150**	**50,405**	**(8,255)**

Sources of cash

Sources of cash for the three months ended September 30, 2016 totalled $119.2 million, an increase of $38.8 million. The increase was the result of long-term borrowings for the acquisition of two Q400s, a positive change in non-cash working capital and higher cash flow from operating activities.

Sources of cash for the nine months ended September 30, 2016 totalled $335.7 million, an increase of $178.4 million. The increase was the result of long-term borrowings for the acquisition of seven Q400s, one Q400 engine and one King Air 200 purchased in 2016, as well as three CRJ200s, two Dash 8-300s, one Dash 8-100, and one King Air 100 purchased in 2015, and financed in 2016, and higher cash flow from operating activities.

Uses of cash

Uses of cash for the three months ended September 30, 2016 totalled $98.2 million, an increase of $12.3 million. Capital expenditures were $66.8 million, compared to $52.4 million in the same period of 2015. The increase related to the purchase of aircraft (which consisted of two Q400s and deposits on CRJ900s), and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Additional uses of cash consisted of increased payments of $6.2 million related to long-term debt and obligations under finance leases. These increases of use of cash were offset by a positive change in non-cash working capital.

Uses of cash for the nine months ended September 30, 2016 totalled $325.3 million, an increase of $100.0 million. Capital expenditures were $215.6 million, compared to $85.9 million in the same period of 2015. The increase related to the purchase of aircraft (which consisted of seven Q400s, one engine, one King Air 200 and deposits on CRJ900s), and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Additional uses of cash consisted of payment of consideration payable of $12.4 million and increased payments of $13.4 million related to long-term debt and obligations under finance leases. These increases of use of cash were offset by positive changes in non-cash working capital. In 2015, uses of cash included the acquisition of Voyageur.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 18, 2016 for information regarding Chorus' contractual obligations and other commitments. Except as noted below, there have been no material changes to debt during the nine months ended September 30, 2016.

During the nine months ended September 30, 2016, pursuant to its Q400 purchase agreement with Bombardier Inc., Chorus took delivery of seven new Q400s and drew additional EDC financing in the amount of $163.5 million. These aircraft are CPA Covered Aircraft. On May 18, 2016, Chorus took delivery of one spare PW150A engine and drew EDC financing in the amount of $3.3 million.

On June 29, 2016 Chorus drew EDC financing in the amount of $21.9 million in relation to previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s, and three CRJ200s. These aircraft are not Covered Aircraft.

The majority of the following future repayments of long-term debt are payable in US dollars and have been converted to Canadian dollars at $1.3117. This exchange rate is the September 30, 2016 closing day rate from the Bank of Canada.

(unaudited) (in thousands of Canadian dollars)	$
No later than one year	69,093
Later than one year and no later than five years	299,105
Later than five years	335,211
	703,409

The Company is bound by specific covenants contained in the financing obtained from EDC for both aircraft and engine purchases. These covenants apply separately to the "Jazz Group" (comprising Jazz, Jazz Aircraft Financing and Jazz Leasing) and the "North Bay Leasing Group" (comprising North Bay Leasing, Voyageur Aviation, Voyageur Airways, Voyageur Aerotech and Voyageur Avparts).

The Jazz Group is required to maintain a maximum adjusted leverage ratio of 2.25:1 and a minimum adjusted interest coverage ratio of 1.66:1. Failure by the Jazz Group to comply with either such ratio at an applicable time would constitute an event of default under the financing agreement, which could have a material adverse effect on Chorus. As at September 30, 2016, the Jazz Group was in compliance with these covenants. The financing agreement with EDC also contains a continuation of business under the CPA covenant which is specific to Jazz as the lessee of 34 Q400s and five Q400 spare engines. As at September 30, 2016, Jazz was in compliance with this covenant.

As security under the EDC financing agreements, the Q400 and Q400 spare engine leases between Jazz and Jazz Leasing have been assigned to EDC. Also, Jazz Leasing has provided a full recourse guarantee to EDC and Jazz Aircraft Financing pledged the issued shares of Jazz Leasing to EDC.

On June 29, 2016, Chorus entered into an additional financing agreement with EDC. Terms of this agreement require the North Bay Leasing Group to maintain prescribed liquidity levels, a minimum lease coverage ratio of 1:1, and a minimum EBITDAR level, measured annually prior to the payment of consideration payable to the former owner of Voyageur. Failure by the North Bay Leasing Group to comply with either such ratio at an applicable time would constitute an event of default under the financing agreement, which could have a material adverse effect on Chorus. As at September 30, 2016, the North Bay Leasing Group was in compliance with these covenants.

As security under the North Bay Leasing Group EDC financing agreements, the aircraft and engine leases between North Bay Leasing and Voyageur and Jazz have been assigned to EDC. Also, Voyageur, Voyageur Airways, Voyageur Aerotech and Voyageur Avparts have each provided a full recourse guarantee to EDC, and Chorus Aviation Holdings II Inc. has pledged the issued shares of North Bay Leasing Inc. to EDC.

Capital commitments

Chorus has entered into an agreement with Bombardier to be the launch customer for the ESP, which is expected to extend the service life of the Dash 8-300s 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 program includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost for the years 2017, 2018 and 2019 is expected to be approximately $14.3 million, $24.8 million and $6.3 million, respectively (US dollar amounts were converted to Canadian dollars at $1.3117, the September 30, 2016 closing day rate from the Bank of Canada). Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

Credit facilities

Chorus' subsidiaries have a combined total of $40.0 million in undrawn secured revolving credit facilities and an additional US$8.0 million secured facility specifically for letters of credit (US$0.4 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, 2016 $	 2015 $	 Change $	Nine months ended September 30, 2016 $	 2015 $	 Change $
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	6,087	2,099	3,988	15,446	8,646	6,800
Capitalized major maintenance overhauls	5,705	7,668	(1,963)	17,148	16,586	562
Finance leases	—	7,191	(7,191)	—	7,191	(7,191)
Aircraft acquisitions and ESP	54,978	43,795	11,183	183,005	61,912	121,093
Total capital expenditures(1)	66,770	60,753	6,017	215,599	94,335	121,264

(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. Excluding these non-cash amounts, total capital expenditures were $52.4 million and $85.9 million for the three and nine months ended September 30, 2015.

Shares

At November 8, 2016, the issued and outstanding Shares of Chorus were as follows:

(unaudited)	November 8, 2016	December 31, 2015
Total issued and outstanding Shares	122,232,397	122,232,397
Shares potentially issuable **Stock-based compensation plans**	3,115,339	3,317,406
Total outstanding and potentially dilutive shares	125,347,736	125,549,803

Effective May 24, 2016, Chorus' Class A variable voting shares and Class B voting shares trade under a single stock symbol, CHR, on the Toronto Stock Exchange.

Dividends

For the three and nine months ended September 30, 2016, Chorus declared dividends of $14.7 million and $44.0 million respectively (2015 - $14.7 million and $43.1 million). For the three and nine months ended September 30, 2016, Chorus paid dividends of $14.7 million and $44.0 million respectively (2015 - $14.7 million and $42.8 million respectively). Chorus pays a monthly dividend of $0.04 per share. In March 2015, the monthly dividend was increased from $0.0375 per share to the current level of $0.04 per share.

8 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 11 of Chorus' annual MD&A dated February 18, 2016. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

9 RELATED PARTY TRANSACTIONS

As at September 30, 2016, 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.

10 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.

Interest rate risk

Thirty-nine term loans with EDC and the Nova Scotia Jobs Fund loan bear fixed interest rates and the consideration payable does not bear interest. These debts are not subject to interest rate volatility. Eight term loans with EDC bear floating interest rates. This debt is therefore subject to interest rate volatility. The allocation of fixed rate debt to floating rate debt at September 30, 2016 is 97.0% fixed and 3.0% floating.

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous taking into account all relevant factors, including credit margin, term and basis. The risk management objective is to minimize potential for changes in interest rates to cause adverse changes in cash flows to Chorus.

A 1% change in the interest rate would not have a material impact on net income for the three and nine months ended September 30, 2016.

Please refer to Section 13 of Chorus' annual MD&A dated February 18, 2016 for further discussion on credit risk, liquidity risk and currency risk.

11 ECONOMIC DEPENDENCE

For a detailed description of the CPA, please refer to Section 2 and Section 14 of Chorus' annual MD&A dated February 18, 2016.

Chorus 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. Chorus 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 18 - Risk Factors).

12 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 2 – 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, 2015. Information regarding Chorus' critical accounting estimates is disclosed in Section 15 of Chorus' annual MD&A dated February 18, 2016. There are no changes regarding critical accounting estimates for the three and nine months ended September 30, 2016.

13 ACCOUNTING POLICIES

The significant accounting policies of Chorus are described in note 3 of the December 31, 2015 consolidated financial statements of Chorus. Please refer to note 3 of Chorus' consolidated financial statements for the year ended December 31, 2015 for information on new accounting standards and amendments not yet effective.

14 CONTROLS AND PROCEDURES

Chorus' disclosure controls and procedures ("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' internal control over financial reporting ("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 2015 MD&A dated February 18, 2016, contains a statement that the President and Chief Executive Officer ("CEO") and the Executive Vice President and 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, 2015.

Chorus filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators along with the 2015 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 (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), 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' internal control over financial reporting that occurred during the third quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A, and the unaudited interim condensed consolidated financial statements of Chorus for September 30, 2016, and approved these documents prior to their release.

15 2016 OUTLOOK

The discussion that follows includes forward-looking information (refer to Section 2 - Introduction, "Caution regarding forward-looking information"). This outlook is provided for the purpose of providing information about current expectations for 2016. This information may not be appropriate for other purposes.

Chorus' subsidiaries continue to deliver results within management's expectations, supporting positive operating income and cash flows from operations. This reporting period marks the seventh consecutive quarter of strong operational and financial performance under the CPA with Air Canada, and demonstrates the continued long-term value of this strong, stable revenue source.

The progress made in advancing the revenue diversification strategy through growth in aircraft leasing is expected to continue. In 2017, five new CRJ900s will be added to the fleet of Q400s leased into the CPA operation. Further, Chorus expects to acquire and lease four new CRJ1000s to Air Nostrum by the end of October 2017.

Chorus remains committed to creating additional shareholder value by strengthening the foundational business with Jazz, growing aircraft leasing revenues, pursuing growth opportunities in the Voyageur operation, such as Voyageur Avparts, and progressing towards further business diversification.

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 Billable Block Hours to date and updated planning assumptions received from Air Canada, Billable Block Hours are expected to be between 341,000 and 345,000, based on 113 Covered Aircraft as at December 31, 2016. The actual number of Billable Block Hours for 2016 may vary from this anticipated range due to a number of factors. See Section 18 - Risk Factors.

Capital expenditures for 2016, excluding those for the acquisition of finance leases, aircraft and the ESP, and including capitalized major maintenance overhauls, are expected to be between $37.0 million and $47.0 million. The increase in 2016 reflects additional spend for Voyageur.

		Actual	
(unaudited) (expressed in thousands of Canadian dollars)	**Planned 2016** **$**	**Year to date 2016** **$**	**Year ended December 31, 2015** **$**
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	17,000 to 22,000	15,446	13,035
Capitalized major maintenance overhauls	20,000 to 25,000	17,148	24,029
Finance leases	—	—	19,479
Aircraft acquisitions and ESP(1)	389,000 to 404,000	183,005	199,877
	426,000 to 451,000	215,599	256,420

(1) Planned 2016 includes the acquisition of one King Air 200, seven Q400s, five CRJ900s, two CRJ1000s and deposits for the ESP. Planned 2016 aircraft acquisitions have been converted using a foreign exchange rate of $1.3117.

16 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.

17 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 signing bonuses, CPA advisory fees, and employee separation program costs have been included within the calculation 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, 2016 $	 2015 $	 Change $	Nine months ended September 30, 2016 $	 2015 $	 Change $
Net income	20,055	6,320	13,735	99,110	12,975	86,135
Add:						
Net interest expense	5,696	3,795	1,901	15,990	10,572	5,418
Income tax expense	12,017	11,514	503	25,109	24,452	657
Depreciation and amortization	21,253	15,943	5,310	59,747	42,098	17,649
EBITDA	**59,021**	**37,572**	**21,449**	**199,956**	**90,097**	**109,859**
Gain on disposal of property and equipment	(8)	(22)	14	(378)	(182)	(196)
Foreign exchange loss (gain)	10,782	27,529	(16,747)	(29,780)	55,719	(85,499)
Other	—	—	—	(313)	(500)	187
Adjusted EBITDA	**69,795**	**65,079**	**4,716**	**169,485**	**145,134**	**24,351**
Other items:						
Signing bonuses	—	3,500	(3,500)	5,500	13,500	(8,000)
CPA advisory fees	—	—	—	—	2,079	(2,079)
Employee separation program	170	256	(86)	3,727	1,876	1,851
Adjusted EBITDA, excluding other items	*69,965*	*68,835*	*1,130*	*178,712*	*162,589*	*16,123*

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 signing bonuses, CPA advisory fees, and employee separation program costs have been included within the calculation 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,**		
	2016 **$**	**2015** **$**	**Change** **$**	**2016** **$**	**2015** **$**	**Change** **$**
Net income for the periods	20,055	6,320	13,735	99,110	12,975	86,135
Unrealized foreign exchange loss (gain)	8,523	25,123	(16,600)	(37,525)	51,223	(88,748)
Adjusted net income	28,578	31,443	(2,865)	61,585	64,198	(2,613)
Adjusted net income per Share - basic	0.23	0.26	(0.03)	0.50	0.53	(0.03)
Other items:						
Signing bonuses	—	3,500	(3,500)	5,500	13,500	(8,000)
CPA advisory fees	—	—	—	—	2,079	(2,079)
Employee separation program	170	256	(86)	3,727	1,876	1,851
Adjusted net income, excluding other items	28,748	35,199	(6,451)	70,812	81,653	(10,841)
Adjusted net income, excluding other items per Share - basic	0.24	0.29	(0.05)	0.58	0.67	(0.09)

Adjusted Cash Provided by Operating Activities

Adjusted Cash Provided by Operating Activities is defined as cash provided by operating activities before net changes in non-cash balances related to operations less capital expenditures excluding finance leases, aircraft acquisitions and ESP. Management believes that this metric reflects the focus on strengthening Chorus' financial position for growth.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2016 $	 2015 $	 Change $	Nine months ended September 30, 2016 $	 2015 $	 Change $
Adjusted Cash Provided by Operating Activities before net changes in non-cash balance related to operations	58,623	55,951	2,672	146,963	126,033	20,930
Less:						
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	(6,087)	(2,099)	(3,988)	(15,446)	(8,646)	(6,800)
Capitalized major maintenance overhauls	(5,705)	(7,668)	1,963	(17,148)	(16,586)	(562)
	(11,792)	(9,767)	(2,025)	(32,594)	(25,232)	(7,362)
Adjusted Cash Provided by Operating Activities	**46,831**	**46,184**	**647**	**114,369**	**100,801**	**13,568**

Return on Invested Capital

Return on Invested 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, 2016 $	December 31, 2015 $	Change $
Income before income taxes	147,883	61,091	86,792
Unrealized foreign exchange (gain) loss	(17,900)	70,848	(88,748)
Income before income taxes (and unrealized foreign exchange loss)	129,983	131,939	(1,956)
Add:			
Finance costs	22,528	17,457	5,071
Implicit interest in operating leases(1)	3,339	4,657	(1,318)
	155,850	154,053	1,797
Invested capital:			
Average long-term debt(2)	580,111	494,658	85,453
Average obligations under finance leases(3)	11,158	11,418	(260)
Average consideration payable(4)	24,142	15,084	9,058
Average Shareholders' equity	116,555	120,428	(3,873)
Off-balance sheet aircraft leases(5)	47,693	66,529	(18,836)
	779,659	708,117	71,542
Return on invested capital(6)	20.0%	21.8%	(1.8)%

(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, 2016 and December 31, 2015, these aircraft lease expenses totalled $6.4 million and $8.9 million respectively.
(6) Aircraft rent was $93.7 million and $103.3 million for the trailing twelve months ended September 30, 2016 and December 31, 2015 respectively. The majority of Chorus' aircraft under operating leases are leased or subleased from Air Canada, or its subsidiary. Aircraft rent related to these aircraft of $87.4 million and $94.5 million for the trailing twelve months ended September 30, 2016 and December 31, 2015 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 14.1% respectively.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at September 30, 2016 and as at December 31, 2015:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2016 $	December 31, 2015 $	Change $
Long-term debt and finance leases	718,032	604,741	113,291
Consideration payable	18,374	30,168	(11,794)
Total debt (including current portion)	736,406	634,909	101,497
Less: Cash	(42,150)	(32,677)	(9,473)
Net debt	694,256	602,232	92,024
Capitalized operating leases	47,693	66,529	(18,836)
Adjusted net debt	741,949	668,761	73,188

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 $93.7 million and $103.3 million for the trailing twelve months ended September 30, 2016 and December 31, 2015 respectively. The majority of Chorus' aircraft under operating leases are leased or subleased from Air Canada, or its subsidiary. Aircraft rent related to these aircraft of $87.4 million and $94.5 million for the trailing twelve months ended September 30, 2016 and December 31, 2015 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 $1,397.1 million and $1,377.0 million respectively.

As at September 30, 2016, adjusted net debt increased from $668.8 million to $741.9 million, representing an increase of $73.2 million or 10.9% from December 31, 2015. The increase was a result of new debt of $188.7 million. This increase was offset by a lower US dollar exchange rate which decreased long-term debt by approximately $30.6 million, debt repayments of $44.9 million, and repayment of consideration payable of $12.4 million, and increased cash as discussed previously.

18 RISK FACTORS

For a detailed description of the possible risk factors associated with Chorus, Air Canada, the industry, the structure of Chorus and current legal proceedings refer to the Section entitled “Risk Factors” in Chorus' 2015 Annual MD&A dated February 18, 2016, and Chorus’ Annual Information Form dated February 18, 2016. Chorus is not aware of any significant changes to its risk factors from those disclosed at that time.

19 GLOSSARY OF TERMS

"**ACMI**" means aircraft, crew, maintenance and insurance operations;

"**AMO**" means a Transport Canada approved maintenance organization;

"**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, under the CPA;

"**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;

"**Bombardier**" means Bombardier Inc.;

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

"**Chorus**" means, as the context may require, one or more of Chorus Aviation Inc. and its current and former subsidiaries;

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

"**Controllable Revenue**" means revenue earned by Jazz from Air Canada for rates established under the CPA in respect of certain Controllable Costs;

"**Covered Aircraft**" means the aircraft whose capacity Air Canada purchases from Jazz under the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended on January 1, 2015;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates IFRS as issued by the IASB;

"**CRJ200**", "**CRJ705**", "**CRJ900**" and "**CRJ1000**" means Bombardier CRJ 200, CRJ 705, CRJ 900, and CRJ 1000 regional jet aircraft;

"**Dash 8-100**", "**Dash 8-300**" and "**Dash 7-100**" means de Havilland Dash 8-100, Dash 8-300 and Dash 7-100 turboprop aircraft;

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

"**EBITDAR**" means earnings before interest, lease rental payments, taxes, depreciation, amortization, other rent and restructuring costs;

"**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 8-300s;

"**Fixed Margin per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada for each Covered Aircraft provided by Jazz under the CPA. The Fixed Margin per Covered Aircraft does not vary regardless of network size or complexity or hours flown;

"**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**" means the fixed fee paid to Jazz by Air Canada per Covered Aircraft for the additional services Chorus provides in support of Air Canada's regional flying network under the CPA;

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

"**Jazz Aircraft Financing**" means Jazz Aircraft Financing Inc., a corporation incorporated under the CBCA on November 28, 2013. Jazz Aircraft Financing is a subsidiary of Chorus Aviation Inc.;

"**Jazz Group**" comprises Jazz, Jazz Aircraft Financing and Jazz Leasing;

"**Jazz Leasing**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013. Jazz Leasing is a subsidiary of Chorus Aviation Inc.;

"**King Air 100**" and "**King Air 200**" means Beechcraft King Air 100 and 200 turboprop aircraft;

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity, which excludes Q400s and engine purchases;

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

"**MRO**" means maintenance, repair and overhaul;

"**North Bay Leasing Group**" comprises North Bay Leasing Inc., Voyageur Aviation Corp., Voyageur Airways Limited, Voyageur Aerotech Inc. and Voyageur Avparts Inc.;

"**On-time performance**" means the percentage of flights that arrive within 15 minutes of their scheduled time;

"**Operating Aircraft**" means the aircraft in Chorus' fleet, other than aircraft which are not in commercial service;

"**Pass-Through Costs**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

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

"**Performance Incentives**" mean compensation to Jazz, under the CPA, for achieving established performance targets, being: controllable on-time performance, controllable flight completion, passengers arriving without luggage and customer service;

"**Q400s**" means Bombardier Q400 turboprop aircraft;

"**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;

"**Voyageur**" means Voyageur Aviation Corp. (as successor by amalgamation to 519222 Ontario Limited, Hangar 6 Inc. and Voyager Airport Services Inc. under the *Business Corporations Act (Ontario)* on December 31, 2015) and its current and former subsidiaries including Voyageur Airways, Voyageur Aerotech and Voyageur Avparts. Voyageur is a subsidiary of Chorus Aviation Inc.;

"**Voyageur Aerotech**" means Voyageur Aerotech Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on July 30, 2015. Voyageur Aerotech is a subsidiary of Chorus Aviation Inc.;

"**Voyageur Airways**" mean Voyageur Airways Limited, a corporation incorporated under the *Business Corporations Act (Ontario)* on January 4, 1968. Voyageur Airways is a subsidiary of Chorus Aviation Inc.;

"**Voyageur Avparts**" mean Voyageur Avparts Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on February 2, 2016. Voyageur Avparts is a subsidiary of Chorus Aviation Inc.; and

"**YVR**" means Vancouver International Airport Authority.