Third Quarter 2013
Management's Discussion
and Analysis of Results of Operations
and Financial Condition

November 13, 2013

TABLE OF CONTENTS

1. OVERVIEW

The financial and operating highlights for Chorus are as follows:

Key financial information

	Three months ended September 30,			Nine months ended September 30,		
(unaudited)	2013	2012	Change %	2013	2012	Change %
Operating revenue ($000)	432,256	435,646	(0.8)	1,258,833	1,298,993	(3.1)
Operating expenses ($000)	393,001	399,284	(1.6)	1,167,046	1,196,734	(2.5)
Operating income ($000)	39,255	36,362	8.0	91,787	102,259	(10.2)
Net income for the period ($000)	36,032	36,938	(2.5)	53,111	85,767	(38.1)
EBITDA(1) ($000)	55,762	51,526	8.2	137,932	144,243	(4.4)
Standardized Free Cash Flow(1) ($000)	30,797	47,148	(34.7)	(68,161)	(81,117)	(16.0)
Adjusted net income(1) ($000)	27,708	26,903	3.0	63,882	76,895	(16.9)
Net income per Share, basic ($)	0.29	0.30	(3.3)	0.43	0.69	(37.7)
Adjusted net income per Share, basic ($)	0.23	0.22	4.5	0.52	0.62	(16.1)

(1) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures

In the three months ended September 30, 2013, Chorus' operating income increased by $2.9 million compared to the same period last year. The change was primarily related to reduced salaries, benefits, training, facilities and other costs as a result of the voluntary employee severance program which commenced in the first quarter of 2013 and the absence of a $1.0 million loss generated by the Thomas Cook Flight Services Agreement during the same period in 2012.

In the nine months ended September 30, 2013, Chorus' operating income decreased by $10.5 million compared to the same period last year. The change was primarily related to voluntary employee severance costs and the termination of the Thomas Cook Flight Services Agreement. Voluntary employee severance costs were approximately $8.7 million. The severance costs are expected to reduce Chorus' ongoing operational costs in the form of reduced salaries, benefits, training, facilities and other costs for approximately the same amount over the next two fiscal years (refer to Section 2 – Introduction, "Caution regarding forward-looking information"). In the nine months ended September 30, 2012, the Thomas Cook Flight Services Agreement generated an operating income of $11.9 million which included $9.0 million related to the early termination in April 2012.

Key statistical information

(unaudited) (see Glossary for definitions)	Three months ended September 30,				
	2013	2012	Change %	2012	Change %
		Excludes Thomas Cook		Includes Thomas Cook	
Departures	69,624	73,980	(5.9)	73,980	(5.9)
Block Hours	98,091	104,097	(5.8)	104,097	(5.8)
Billable Block Hours	98,668	104,393	(5.5)	104,393	(5.5)
Available Seat Miles (ASM) (000's)	1,525,876	1,571,335	(2.9)	1,571,335	(2.9)
Cost per Available Seat Mile (CASM) (¢)	25.76	25.35	1.6	25.41	1.4
CASM, excluding aircraft fuel (¢)	19.07	18.71	1.9	18.78	1.5
CASM, excluding aircraft fuel and severance (¢)	19.02	18.71	1.7	18.78	1.3
Average stage length (miles)	406	412	(1.5)	n/a	n/a
On-time performance (%)	87.0	82.0	6.1	n/a	n/a
Flight Completion(%)	98.1	98.8	(0.7)	n/a	n/a
Full-time equivalent (FTE) employees (end of period)	4,450	4,626	(3.8)	4,626	(3.8)
Number of Operating Aircraft (end of period)	127	130	(2.3)	130	(2.3)

(unaudited) (see Glossary for definitions)	Nine months ended September 30,				
	2013	2012	Change %	2012	Change %
		Excludes Thomas Cook		Includes Thomas Cook	
Departures	201,786	210,558	(4.2)	211,975	(4.8)
Block Hours	285,620	295,776	(3.4)	302,109	(5.5)
Billable Block Hours	289,932	298,787	(3.0)	306,852	(5.5)
Available Seat Miles (ASM) (000's)	4,357,683	4,401,894	(1.0)	4,970,104	(12.3)
Cost per Available Seat Mile (CASM) (¢)	26.78	26.40	1.4	24.08	11.2
CASM, excluding aircraft fuel (¢)	20.17	19.58	3.0	18.03	11.9
CASM, excluding aircraft fuel and severance (¢)	19.97	19.58	2.0	18.03	10.8
Average stage length (miles)	408	412	(1.0)	n/a	n/a
On-time performance (%)	84.0	82.0	2.4	n/a	n/a
Flight Completion (%)	98.8	98.4	0.4	n/a	n/a
Full-time equivalent (FTE) employees (end of period)	4,450	4,626	(3.8)	4,626	(3.8)
Number of Operating Aircraft (end of period)	127	130	(2.3)	130	(2.3)

Contributing to Chorus' positive quarterly financial results was its strong operational performance, especially as compared to the performance results of other carriers. For the month of September 2013, Jazz ranked first among Canadian carriers for on-time performance, as reported by FlightStats Inc., a leading global flight and airport information service. This marked Jazz's 10th consecutive month in the leading position among Canadian carriers, and also placed Jazz among North America's top five on-time performing airlines for the past five months.

2. INTRODUCTION

In this MD&A, references to Chorus or the Company refer to, as the context may require, Chorus and its current and former subsidiaries (including, but not limited to, Jazz Aviation LP, Aviation General Partner Inc., 7503695 Canada Inc., and Chorus Leasing III Inc.) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself.

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, 2013, the audited consolidated financial statements of Chorus for the year ended December 31, 2012, the annual MD&A dated February 20, 2013, and Chorus' Annual Information Form dated March 28, 2013. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook - Accounting, 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 13, 2013.

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 thousands of Canadian dollars.

Caution regarding forward-looking information

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus' relationship with Air Canada, risks relating to the airline industry, energy prices, general industry, market, credit, and economic conditions, competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, secure financing, employee relations, labour negotiations or disputes, restructuring, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, dilution of Chorus Shareholders, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties, as well as the factors identified throughout this MD&A. The forward-looking statements contained in this discussion represent Chorus’ expectations as of November 13, 2013, and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

3. THE CHORUS BUSINESS

Chorus was incorporated on September 27, 2010 under the laws of Canada. On November 18, 2010, Chorus incorporated Aviation General Partner Inc. to act as general partner for a newly formed partnership, Jazz Aviation LP ("Jazz"). On January 5, 2011, substantially all of the assets of Jazz Air LP were transferred to Jazz and the airline business previously carried on by Jazz Air LP is now carried on by Jazz. On February 28, 2011, Chorus incorporated three wholly-owned subsidiaries under the CBCA, Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc. (collectively, the "Initial LeaseCos"). The Initial LeaseCos were established for the sole purpose of acquiring Q400 aircraft and related equipment. On December 31, 2012, the Initial LeaseCos were reorganized as follows: Chorus Leasing I Inc. and Chorus Leasing II Inc. amalgamated to form Chorus Leasing Amalco (2012) Inc. ("Amalco"), and Chorus Leasing III Inc. then acquired the assets and liabilities of Amalco in exchange for preferred shares.

Chorus was established to acquire and hold, directly or indirectly, investments in Jazz, Aviation GP, 7503695, the Initial LeaseCos and other investments that it may acquire from time to time. Chorus operates the largest regional airline, and the second largest airline, in Canada after Air Canada, based on fleet size. Chorus provides a significant part of Air Canada's domestic and transborder network. Chorus and Air Canada are parties to the Capacity Purchase Agreement ("CPA"), under which Air Canada currently purchases the greater part of Chorus' fleet capacity at pre-determined rates. Under the CPA, Chorus provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada, and to and from certain destinations in the United States. As at September 30, 2013, Chorus operated scheduled passenger service on behalf of Air Canada with approximately 790 departures per weekday to 53 destinations in Canada and 25 destinations in the United States, using 122 Covered Aircraft. Chorus and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Under the CPA, Chorus operates flights on behalf of Air Canada under the "Air Canada Express" tradename. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft. Chorus is paid fees based on certain variables, including Block Hours flown, flight hours, cycles (number of take-offs and landings) and passengers carried, in addition to certain variable and fixed aircraft ownership rates. Chorus is also entitled to repayment of certain pass-through costs, including fuel, navigation, landing and terminal fees and certain other costs. Chorus is also eligible to receive incentive payments each quarter if it achieves certain performance levels related to on-time performance, controllable flight completion, baggage handling performance and overall customer satisfaction. Chorus is economically and commercially dependent upon Air Canada and certain of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide significant services to Chorus (refer to Section 13 - Economic Dependence). 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).

Under the CPA, Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. Termination of the Thomas Cook Flight Services Agreement has returned seasonality to these previous patterns. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with passenger load factors.

During 2012, pursuant to its Q400 aircraft purchase agreement with Bombardier Inc. Chorus exercised six of its 15 options to acquire additional aircraft. In February and March 2013, Chorus took delivery of the six aircraft and drew Export Development Canada ("EDC") financing for each.

Chorus also took delivery of two PW150A aircraft engines on October 9, 2013 and October 16, 2013. Chorus secured EDC financing for each of these engines. The term loans are repayable by Chorus to EDC in quarterly instalments of US$0.1 million each, mature in October 2025 and are each secured by one PW150A engine.

Chorus reached a new collective agreement with its crew schedulers, represented by Unifor. The agreement has a four year term with an expiry in 2017.

The customer service and aircraft service agents' collective agreement expired January 13, 2013. Chorus and its customer service and aircraft service agents, also represented by Unifor, agreed to a binding arbitration process to conclude their outstanding collective agreement issues. On July 18, 2013, Chorus received the decision of the Arbitrator in the binding arbitration process establishing a new four year collective agreement in accordance with the Canada Labour Code. Chorus and Unifor have agreed to the process for the implementation of the arbitrators award, including the contracting out of various job functions by the end of 2014.

4. THIRD QUARTER ANALYSIS

The following table compares the results of operations of Chorus for the three months ended September 30, 2013 to the three months ended September 30, 2012.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2013 $	 2012 $	Change $	Change %
Operating revenue	432,256	435,646	(3,390)	(0.8)
Operating expenses				
Salaries, wages and benefits	102,165	105,895	(3,730)	(3.5)
Aircraft fuel	102,043	104,231	(2,188)	(2.1)
Depreciation and amortization	16,507	15,164	1,343	8.9
Food, beverage and supplies	4,765	4,254	511	12.0
Aircraft maintenance materials, supplies and services	39,115	40,251	(1,136)	(2.8)
Airport and navigation fees	51,979	52,887	(908)	(1.7)
Aircraft rent	22,143	23,985	(1,842)	(7.7)
Terminal handling services	24,190	24,352	(162)	(0.7)
Other	30,094	28,265	1,829	6.5
Total operating expenses	393,001	399,284	(6,283)	(1.6)
Operating income	39,255	36,362	2,893	8.0
Non-operating income (expenses)				
Net interest expense	(4,742)	(4,357)	(385)	8.8
Gain on disposal of property and equipment	1,337	894	443	49.6
Foreign exchange gain	7,803	10,712	(2,909)	(27.2)
	4,398	7,249	(2,851)	(39.3)
Net income before income taxes	43,653	43,611	42	0.1
Income tax expense				
Current income tax	(1,431)	—	(1,431)	100.0
Deferred income tax	(6,190)	(6,673)	483	(7.2)
	(7,621)	(6,673)	(948)	14.2
Net income for the periods	36,032	36,938	(906)	(2.5)

Operating Revenue

Operating revenue decreased from $435.6 million to $432.3 million, representing a decrease of $3.4 million or 0.8%. Passenger revenue, excluding pass-through costs, increased by $1.8 million or 0.7%, primarily as a result of rate increases made pursuant to the CPA, a higher US dollar exchange rate, and a $1.0 million increase in incentives earned under the CPA with Air Canada; offset by decreased CPA Billable Block Hours. Pass-through costs decreased by $5.2 million or 3.1%, from $166.1 million to $160.9 million, which included a decrease of $2.3 million related to fuel costs.

Operating Expenses

Operating expenses decreased from $399.3 million to $393.0 million, a decrease of $6.3 million or 1.6%. Controllable Costs decreased by $1.1 million, or 0.5% and pass-through costs decreased by $5.2 million, or 3.1%. Additional information regarding operating expenses is set out below.

- Salaries, wages and benefits decreased by $3.7 million primarily as a result of a reduction in the number of FTEs, decreased Block Hours, and higher capitalized salaries and wages related to major maintenance overhauls; offset by voluntary employee severance costs related to flight crew and maintenance employees, wage and scale increases under new collective agreements and increased pension expense resulting from a revised actuarial valuation.
- Aircraft fuel costs decreased by $2.2 million primarily attributable to decreased activity; offset by higher fuel prices (neither 2013 nor 2012 include fuel costs for Thomas Cook).
- Depreciation and amortization expense increased by $1.3 million primarily related to the purchase of Q400 aircraft, increased capital expenditures on aircraft rotable parts and other equipment and increased major maintenance overhauls; offset by certain assets having reached full amortization and a change in estimate related to the residual values of the Dash 8-100 and 300 aircraft (refer to Section 14 - Critical Accounting Estimates).
- Aircraft maintenance expense decreased by $1.1 million as a result of decreased Block Hours of $2.2 million, no activity in this quarter for Thomas Cook of $0.9 million; offset by increased other maintenance costs of $0.2 million and an increase in the US dollar exchange rate on certain material purchases of $1.8 million.
- Airport and navigational fees decreased by $0.9 million primarily as a result of the removal of CRJ100 aircraft of $3.8 million; offset by increased rates related to the Q400 aircraft of $2.5 million and changes in aircraft deployment of $0.4 million.
- Aircraft rent decreased by $1.8 million primarily as a result of the return of CRJ100 aircraft; offset by a higher US dollar exchange rate.
- Terminal handling costs decreased by $0.2 million due to changes in aircraft deployment; offset by increased deicing costs.
- Other expenses increased by $1.8 million primarily due to increased professional and consulting fees; offset by decreased general overhead expenses.

Non-Operating Income (Expenses)

Non-operating income decreased by $2.9 million which was primarily attributable to a decrease of $2.9 million in foreign exchange (of which $1.7 million related to a decrease in unrealized foreign exchange gain on long-term debt and finance leases) and a gain related to the sale of Chorus' office and hangar facility in London, Ontario of $1.3 million; offset by increased interest expense related to Q400 aircraft financing of $0.2 million.

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 following table compares the results of operations of Chorus for the nine months ended September 30, 2013 to the nine months ended September 30, 2012.

(unaudited) (expressed in thousands of Canadian dollars)	Nine months ended September 30, 2013 $	 2012 $	Change $	Change %
Operating revenue	1,258,833	1,298,993	(40,160)	(3.1)
Operating expenses				
Salaries, wages and benefits	311,424	312,364	(940)	(0.3)
Aircraft fuel	288,142	300,717	(12,575)	(4.2)
Depreciation and amortization	46,145	41,984	4,161	9.9
Food, beverage and supplies	13,542	14,300	(758)	(5.3)
Aircraft maintenance materials, supplies and services	114,181	119,306	(5,125)	(4.3)
Airport and navigation fees	150,250	155,647	(5,397)	(3.5)
Aircraft rent	67,273	77,309	(10,036)	(13.0)
Terminal handling services	83,065	84,443	(1,378)	(1.6)
Other	93,024	90,664	2,360	2.6
Total operating expenses	1,167,046	1,196,734	(29,688)	(2.5)
Operating income	91,787	102,259	(10,472)	(10.2)
Non-operating income (expenses)				
Net interest expense	(15,665)	(12,296)	(3,369)	27.4
Gain on disposal of property and equipment	1,424	1,159	265	22.9
Foreign exchange (loss) gain	(10,244)	9,668	(19,912)	(206.0)
Other	750	—	750	100.0
	(23,735)	(1,469)	(22,266)	1,515.7
Net income before income taxes	68,052	100,790	(32,738)	(32.5)
Income tax expense				
Current income tax expense	(2,110)	—	(2,110)	100.0
Deferred income tax expense	(12,831)	(15,023)	2,192	(14.6)
	(14,941)	(15,023)	82	(0.5)
Net income for the periods	53,111	85,767	(32,656)	(38.1)

Operating Revenue

Operating revenue decreased from $1,299.0 million to $1,258.8 million, representing a decrease of $40.2 million or 3.1%. Passenger revenue, excluding pass-through costs, decreased by $11.2 million or 1.4%, primarily as a result of no activity in the first nine months of 2013 for Thomas Cook and decreased CPA Billable Block Hours; offset by rate increases made pursuant to the CPA, a $1.1 million increase in incentives earned under the CPA with Air Canada, and a higher US dollar exchange rate. Pass-through costs decreased by $30.4 million or 6.1%, from $501.9 million to

$471.5 million, which included a decrease of $12.1 million related to fuel costs. Other revenue increased by $1.5 million.

Operating Expenses

Operating expenses decreased from $1,196.7 million to $1,167.0 million, a decrease of $29.7 million or 2.5%. Pass-through costs decreased $30.4 million; offset by increased Controllable Costs of $0.7 million, or 0.1%. Additional information regarding operating expenses is set out below.

- Salaries, wages and benefits decreased by $0.9 million primarily as a result of a reduction in the number of FTEs, decreased Block Hours, and higher capitalized salaries and wages related to major maintenance overhauls; offset by voluntary employee severance costs related to flight crew and maintenance employees, wage and scale increases under new collective agreements, and increased pension expense resulting from a revised actuarial valuation.

- Aircraft fuel costs decreased by $12.6 million primarily attributable to lower fuel prices and decreased activity (neither 2013 nor 2012 include fuel costs for Thomas Cook).

- Depreciation and amortization expense increased by $4.2 million primarily related to the purchase of Q400 aircraft, increased capital expenditures on aircraft rotable parts and other equipment and increased major maintenance overhauls; offset by certain assets having reached full amortization and a change in estimate related to the residual values of the Dash 8-100 and 300 aircraft (refer to Section 14 - Critical Accounting Estimates).

- Aircraft maintenance expense decreased by $5.1 million as a result of a $6.7 million reduction due to no activity in this year for Thomas Cook and decreased Block Hours of $3.7 million; offset by an increase in engine maintenance activity for the CRJ705 and Dash 8-300 aircraft of $1.2 million, increased other maintenance costs of $1.7 million and an increase in the US dollar exchange rate on certain material purchases of $2.4 million.

- Airport and navigational fees decreased by $5.4 million primarily as a result of no activity in this year for Thomas Cook resulting in a reduction of $5.1 million and the removal of CRJ100 aircraft of $11.0 million; offset by increased rates related to the Q400 aircraft of $9.0 million and changes in aircraft deployment of $1.7 million.

- Aircraft rent decreased by $10.0 million primarily as a result of no expense in this year for Thomas Cook and the return of CRJ100 aircraft; offset by a higher US dollar exchange rate.

- Terminal handling costs decreased by $1.4 million due to no activity in this year for Thomas Cook; offset by increased deicing costs and changes in aircraft deployment.

- Other expenses increased by $2.4 million primarily due to increased professional and consulting fees, increased travel and training costs associated with the Q400 aircraft and increased general overhead expenses.

Non-Operating Income (Expenses)

Non-operating expenses increased by $22.3 million which was primarily attributable to an increase of $19.9 million in foreign exchange (of which $19.6 million related to an increase in unrealized foreign exchange loss on long-term debt and finance leases) and increased interest expense related to Q400 aircraft financing of $3.1 million; offset by $0.8 million in other income related to a government grant and a gain related to the sale of Chorus' office and hangar facility in London, Ontario of $1.3 million.

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.

6. FLEET

As at September 30, 2013, Chorus' operating fleet was made up of 127 operating aircraft, of which 42 were regional jets and 85 were turboprop aircraft.

The following table summarizes Chorus' operating fleet as at September 30, 2013:

(unaudited)	Number of Operating Aircraft September 30, 2013	Average Age of Operating Aircraft	Owned	Finance Lease	Operating Lease	Number of Operating Aircraft September 30, 2012
Canadair Regional Jet CRJ100	—	—	—	—	—	9
Canadair Regional Jet CRJ200	26	11.3	—	—	26	26
Canadair Regional Jet CRJ705	16	8.2	—	—	16	16
De Havilland Dash 8-300	28	23.1	19	7	2	28
De Havilland Dash 8-100	36	25.5	29	—	7	36
Bombardier Q400	21	1.5	21	—	—	15
Total Operating Aircraft	127	15.9	69	7	51	130

Chorus operates two Dash 8-100, two Dash 8-300 and one CRJ200 aircraft for charter purposes.

7. QUARTERLY FINANCIAL DATA

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

(unaudited)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Operating revenue ($000)	432,256	410,297	416,280	411,693	435,646	426,274	437,073	407,742
Operating expenses ($000)	393,001	378,594	395,451	386,566	399,284	390,012	407,438	382,422
Operating income ($000)	39,255	31,703	20,829	25,127	36,362	36,262	29,635	25,320
Total non-operating income (expenses) ($000)	4,398	(19,150)	(8,983)	(7,499)	7,249	(8,735)	17	2,656
Income tax expense ($000)	(7,621)	(4,654)	(2,666)	(3,172)	(6,673)	(4,881)	(3,469)	(5,302)
Net income ($000)	36,032	7,899	9,180	14,456	36,938	22,646	26,183	22,674
Adjusted net income(1) ($000)	27,708	21,428	14,746	17,714	26,903	27,182	22,810	19,553
Billable Block Hours	98,668	94,062	97,202	97,249	104,393	98,342	104,117	97,108
Available Seat Miles (000's)	1,525,876	1,440,231	1,391,576	1,411,938	1,571,335	1,532,914	1,865,855	1,459,392
Average Stage Length (miles)	406	406	412	412	412	409	415	411
Cost per Available Seat Mile (CASM) (¢)	25.76	26.29	28.42	27.38	25.41	25.44	21.84	26.20
CASM, excluding fuel (¢)	19.07	20.08	21.47	20.70	18.78	19.05	16.55	19.75
EBITDA(1) ($000)	55,762	47,950	34,220	39,888	51,526	50,141	42,576	37,960
Standardized Free Cash Flow (1) ($000)	30,797	9,573	(108,531)	(20,003)	47,148	(75,887)	(52,378)	(61,514)
Standardized Free Cash Flow before growth capital expenditures and dividends(1) ($000)	40,301	31,093	24,710	3,100	65,491	16,501	27,370	33,362
Dividends declared per Share ($)	0.075	0.075	0.15	0.15	0.15	0.15	0.15	0.15
Net income per Share, basic ($)	0.29	0.06	0.07	0.12	0.30	0.18	0.21	0.18
Net income per Share, diluted ($)	0.27	0.06	0.07	0.12	0.28	0.18	0.20	0.18
Adjusted net income per Share, basic(1) ($)	0.23	0.17	0.12	0.14	0.22	0.22	0.18	0.16

(1) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures.

8. PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2013 to 2017:

(unaudited) (expressed in thousands of Canadian dollars)	2013 $	2014 $	2015 $	2016 $	2017 $
Defined benefit pension plans, current service	18,900	19,400	19,800	20,200	20,600
Defined benefit pension plans, past service	13,100	13,100	13,100	13,100	13,100
Defined contribution pension plans	9,300	9,900	10,500	10,600	10,900
Projected pension funding obligations	41,300	42,400	43,400	43,900	44,600

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

The funding requirements for the Chorus pilots' registered pension plan are based on the January 1, 2013 actuarial valuation for that plan and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the supplemental executive retirement plan are based on a funding policy adopted by Chorus and the January 1, 2013 actuarial valuation for that plan.

The January 1, 2013 actuarial valuation for the Chorus pilots' registered plan applies an average of the solvency ratio over a three year period. The projected increase in the past service funding is largely attributable to the decrease in the projected average solvency ratio. The past service funding increase projected to 2017 is a result of the January 1, 2013 valuation and the requirement to fund deficiencies over a five year period based on the last filed valuation.

Projected current service funding has increased as a result of changes to demographics and other assumptions.

Changes in economic conditions, mainly the investment returns generated by the plan assets and changes in interest rates, will impact the financial position of these plans and, therefore, future required contributions. These projections are updated annually, or more frequently, as required (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

9. LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At September 30, 2013, Chorus had $149.5 million in cash and cash equivalents and $3.3 million of restricted cash, for a total of $152.8 million. Chorus' current liquidity needs are primarily related to generating sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors) and meet obligations associated with the following: planned capital expenditures, ongoing operations, covenants in aircraft and engine financing agreements, and repayments of long-term debt and interest costs related to its convertible debentures (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

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. The airline business is capital intensive and highly sensitive to uncertain external circumstances.

In order to maintain a strong financial position, Chorus may, from time to time, adjust the amount of dividends paid to Shareholders, buy back Shares for cancellation pursuant to normal course issuer bids or issue new Shares. Chorus may also pay down debt or issue new debt.

Chorus and Air Canada have been involved in a complex arbitration process regarding the 2009 Benchmark (refer to Section 13 - Economic Dependence - 2009 Benchmark Process). Final arguments were presented by the parties in September 2013 and, as of November 13, 2013, the final award from the arbitration panel (the "Panel") had not been received. Chorus remains confident in its position that the Controllable Mark-Up of 12.5% in the CPA should not change as a result of the Arbitration. Accordingly, no amounts have been recorded in the accounts of Chorus in 2010, 2011, 2012 or 2013 related to the AC Claim. Management has determined that it is not probable that the AC Claim will be successful, and it is not practicable to determine an estimate of the possible financial effect, if any, with sufficient reliability.

However, in any litigation process there is always some risk of an adverse outcome. This risk combined with the extended duration of the Arbitration has created the risk of a material retroactive amount owing to Air Canada for the period commencing January 1, 2010 should Air Canada succeed in its claim for a material fleet age adjustment in its favour. The longer this process continues without resolution, the larger the amount of any potential retroactive payment.

In addition, Chorus' $80.2 million convertible debentures come due in December 2014. Chorus anticipates that an increase in liquidity will provide increased flexibility in addressing the maturity of those debentures, in the context of challenging conditions for the airline industry and global economic uncertainty. Those debentures, issued in November 2009, were used to pay part of the term debt of $115.0 million which was established at the time of the Chorus initial public offering in 2006 and matured in February 2010. As a result, Chorus believes that strengthening its cash position during this period is prudent.

Chorus will continue to manage its financial leverage ratios, such as its adjusted net debt to equity ratio which has increased as a result of the financing of its new Q400 aircraft fleet. Such continued accretive investment in fleet renewal may occur either through refurbishment of the classic Dash 8-100 and Dash 8-300 series aircraft or further investment in new generation aircraft (refer to Section 6 - Fleet).

In consideration of these factors, on May 9, 2013, Chorus reduced its quarterly dividend from $0.15 per Share to $0.075 per Share. This enables Chorus to retain additional cash of approximately $9.0 million per quarter.

Diversification of the Chorus business is also a corporate objective which may require additional financial flexibility. Chorus continues to examine potential investment opportunities that will strengthen its business.

The Board of Directors will continue to assess the dividend payment on an ongoing basis in the context of capital management and Chorus' competitive position and industry outlook.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at September 30, 2013 and as at December 31, 2012:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2013 $	December 31, 2012 $	Change $
Total long-term debt and finance leases	368,231	263,179	105,052
Current portion of long-term debt and finance leases	33,027	23,156	9,871
Convertible debentures	78,083	76,769	1,314
Total long-term debt and finance leases (including current portion) and convertible debentures	479,341	363,104	116,237
Less: Cash and cash equivalents	(149,514)	(118,306)	(31,208)
Net debt	329,827	244,798	85,029
Capitalized operating leases	80,184	163,044	(82,860)
Adjusted net debt	410,011	407,842	2,169

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 the 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 $90.0 million for the twelve months ended September 30, 2013 and $100.1 million for the twelve months ended December 31, 2012. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $79.4 million for the twelve months ended September 30, 2013 and $78.3 million for the twelve months ended December 31, 2012 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 $1,005.2 million and $995.4 million, respectively.

As at September 30, 2013, adjusted net debt increased from $407.8 million to $410.0 million, representing an increase of $2.2 million or 1.0% from December 31, 2012. This increase was primarily as a result of an increase in long-term debt related to additional long-term borrowings for the purchase of six new Q400 aircraft during the nine months ended September 30, 2013 and an increase of approximately $9.1 million due to a higher US dollar exchange rate; offset by a decrease in capitalized operating lease payments due to the termination of the Thomas Cook Flight Services Agreement and debt repayments of $17.0 million.

Working capital

The following table provides information on Chorus' working capital balances as at September 30, 2013 and as at December 31, 2012:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2013 $	December 31, 2012 $	Change $
Cash and cash equivalents	149,514	118,306	31,208
Accounts receivable	77,028	78,949	(1,921)
Other current assets	67,962	64,091	3,871
Accounts payable and accrued liabilities	(218,206)	(205,588)	(12,618)
Dividends payable	(9,191)	(18,602)	9,411
Current portion of long-term debt and finance leases	(33,027)	(23,156)	(9,871)
Other current liabilities	(1,431)	(513)	(918)
Net working capital	32,649	13,487	19,162

As at September 30, 2013, working capital increased from $13.5 million to $32.6 million, representing an increase of $19.2 million from December 31, 2012. This change was primarily as a result of increased cash (see discussion below); offset by an increase in accounts payable as a result of timing of certain payments related to interest on the Debentures and accrued interest on long-term debt and accrued employee severance.

Summary of Cash Flows

The following table provides information on Chorus' cash flows:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2013 $	 2012 $	Nine months ended September 30, 2013 $	 2012 $
Cash provided by operating activities	50,036	76,444	129,726	134,175
Cash (used in) provided by financing activities	(15,965)	(16,267)	47,629	53,926
Cash used in investing activities	(7,459)	(10,816)	(146,147)	(155,145)
Net change in cash and cash equivalents during the periods	26,612	49,361	31,208	32,956
Cash and cash equivalents – Beginning of periods	122,902	91,663	118,306	108,068
Cash and cash equivalents – End of periods	149,514	141,024	149,514	141,024

Operating activities

Chorus continued to generate positive cash flows from operations of $50.0 million and $129.7 million for the three and nine months ended September 30, 2013, respectively, compared to $76.4 million and $134.2 million for the same periods in 2012. Such decrease was attributable to an increase in accounts receivable, a decrease in accounts payable and accrued liabilities and a decrease in other long-term liabilities.

Financing activities

Cash provided by financing activities for the three and nine months ended September 30, 2013 included proceeds received from long-term borrowings of $2.2 million and $123.2 million, respectively. Cash used in financing activities included payments of dividends to Shareholders of $9.2 million and $46.5 million, respectively, a repayment of long-term borrowings of $6.7 million and $16.9 million, respectively, and the repurchase of Shares under Chorus' normal course issuer bid of $1.4 million and $4.0 million.

Cash provided by financing activities for the three and nine months ended September 30, 2012 included proceeds received from long-term borrowings of $6.3 million and $120.8 million, respectively. Cash used in financing activities included payments of dividends to Shareholders of $18.6 million and $55.8 million, respectively, and a repayment of long-term borrowings of $3.3 million and $9.1 million, respectively.

Investing activities

Investing activities for the three and nine months ended September 30, 2013 included capital expenditures of $11.3 million and $152.8 million, respectively, and a decrease in restricted cash of $2.7 million for the nine months ended September 30, 2013. Capital expenditures consisted of major maintenance overhauls, the purchase of aircraft spare parts, other purchases necessary to support ongoing operations, ongoing purchases related to the expansion of operations and facilities and the acquisition of Q400 aircraft.

Investing activities for the three and nine months ended September 30, 2012 included capital expenditures of $11.0 million and $160.0 million, respectively, assets held for sale of $0.1 million and $0.3 million, respectively, and a decrease in restricted cash relating to letters of credit of $4.6 million for the nine months ended September 30, 2012. Capital expenditures consisted of major maintenance overhauls, the purchase of aircraft spare parts, other purchases necessary to support ongoing operations, purchase of a building to expand operations and facilities and the acquisition of Q400 aircraft.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 20, 2013 for information regarding Chorus' contractual obligations and other commitments. Except as outlined below, there have been no material changes to debt and lease obligations during the three and nine months ended September 30, 2013.

Long-term debt

Long-term debt consists of the following:

(unaudited) (expressed in thousands of Canadian dollars)	September 30, 2013 $	December 31, 2012 $
Term loans - purchased aircraft (1)	378,481	267,339
Term loans - purchased engines (2)	3,780	3,807
Term loan - Halifax facility (3)	12,000	6,300
	394,261	277,446
Less: Current portion	29,847	20,281
	364,414	257,165

(1) 21 individual term loans, repayable in semi-annual instalments, ranging from $0.8 million to $1.0 million, bearing fixed interest at a weighted average rate of 3.386%, maturing between May 2023 and March 2025, each secured primarily by one Q400 aircraft and two PW150A engines. At September 30, 2013, the total Q400 aircraft financing payable in US dollars was US$367.4 million (December 31, 2012 - US$268.7 million) and the net book value of property and equipment pledged as collateral under Q400 aircraft financing was $430.1 million (December 31, 2012 - $309.0 million).

(2) Two individual term loans, repayable in quarterly instalments of $0.1 million, including fixed interest at a rate of 4.591%, maturing December 2024, each secured by one PW150A engine. At September 30, 2013 the total Q400 engine financing payable in US dollars was US$3.7 million (December 31, 2012 - US$3.9 million) and the net book value of property and equipment pledged as collateral under Q400 engine financing was $4.1 million (December 31, 2012 - $4.7 million).

(3) Nova Scotia Jobs Fund loan, with a maximum contribution of $12.0 million, bearing interest at a fixed rate of 3.33% annually. Principal repayments of $1.0 million are payable annually commencing on August 31, 2016. Maturing on August 31, 2027, the loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases. As of September 30, 2013, the amount drawn on the loan was $12.0 million (December 31, 2012 - $6.3 million).

A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss on long-term debt of approximately $3.7 million.

The terms and conditions of the Q400 aircraft and engine financing are consistent with those disclosed in Section 10 of Chorus' annual MD&A dated February 20, 2013. As at September 30, 2013, Chorus was in compliance with all the required covenants.

Maintenance Capital Expenditures

Maintenance Capital Expenditures represent expenditures incurred to sustain operations or Chorus' productive capacity. Chorus separates its capital expenditures into three categories: leasehold improvements (includes improvements made to leased aircraft), aircraft-related (includes aircraft, aircraft related communication, equipment and tooling, aircraft rotable parts and engines, and major maintenance overhaul expenditures), and facilities and owned buildings.

For the three and nine months ended September 30, 2013, Maintenance Capital Expenditures were $11.1 million and $35.0 million, respectively, (2012 - $11.2 million and $25.3 million, respectively), which included $5.6 million and $15.9

million, respectively, for capitalization of major maintenance overhauls, $0.6 million and $2.5 million, respectively, related to modifications for the office building purchased on August 31, 2012, and $2.4 million and $14.1 million, respectively, for ongoing landing gear and spare parts replacements for the Dash 8-100, Dash 8-300 and Q400 fleet, ongoing purchases related to the expansion of operations and facilities and technological upgrades to foster process improvements. Management anticipates its Maintenance Capital Expenditures for the year ending December 31, 2013 to be approximately $42.0 million (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

Shares

At November 8, 2013, the issued and outstanding Shares of Chorus, along with Shares potentially issuable, pursuant to convertible debentures, were as follows:

(unaudited)	November 8, 2013	December 31, 2012
Issued and outstanding Shares		
Class A Variable Voting Shares	4,759,082	15,472,846
Class B Voting Shares	117,782,944	108,542,625
Total issued and outstanding Shares	122,542,026	124,015,471
Shares potentially issuable		
Convertible debentures(1)	15,278,095	15,278,095
Total outstanding and potentially issuable Shares	137,820,121	139,293,566

(1) Assuming all outstanding convertible debentures are exercised.

For the three and nine months ended September 30, 2013, Chorus declared dividends of $9.2 million and $37.1 million, respectively (2012 - $18.6 million and $55.8 million, respectively).

Repurchase of Shares

On March 14, 2013, Chorus announced that it had received approval from the TSX to implement a normal course issuer bid to purchase, for cancellation, up to 11,093,612 Shares, representing 10% of the total public float of Shares calculated in accordance with TSX rules. The repurchase program, which will expire March 17, 2014, is being conducted through the facilities of the TSX and/or alternative trading systems in accordance with the requirements of the TSX.

Under TSX rules, Chorus is allowed to purchase daily, a maximum of 86,114 Shares representing 25% of the average daily trading volume of the Shares over the six-month period ended February 28, 2013. In addition, Chorus may make, once per week, a block purchase (as such term is defined in the TSX Company Manual) of Shares not directly or indirectly owned by insiders of Chorus, in accordance with TSX rules. The Shares purchased pursuant to the normal course issuer bid will be cancelled.

Purchases under the normal course issuer bid will be made by means of open market transactions or such other means as the TSX or securities regulatory authorities may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. In the event that Chorus purchases Shares by pre-arranged crosses, exempt offers or private agreements, the purchase price of the Shares may be at a discount to the market price of the Shares at the time of the acquisition. The price to be paid by Chorus for any Share will be the market price at the time of acquisition, plus brokerage fees, or such other price as the TSX may permit.

As of September 30, 2013, Chorus had repurchased 1,871,800 Shares under its normal course issuer bid at an aggregate cost of $4.0 million and all of these Shares were cancelled by September 30, 2013.

Chorus may, from time to time, purchase shares for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

10. OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 11 of Chorus' annual MD&A dated February 20, 2013. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

11. RELATED PARTY TRANSACTIONS

As at September 30, 2013, Chorus had no transactions with related parties as defined in the CPA Canada Handbook - Accounting, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Section 13 of Chorus' annual MD&A dated February 20, 2013 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

13. ECONOMIC DEPENDENCE

For a detailed description of the CPA with Air Canada, please refer to Section 14 of Chorus' Annual MD&A dated February 20, 2013.

Please see below for a discussion of the 2009 Benchmark process.

2009 Benchmark Process

The CPA provides that Controllable Mark-Up may be reduced as a result of benchmarking Chorus' Controllable Costs to those of a group of comparable operators (the "Comparable Operators") using publicly available information. Under the CPA, this benchmarking was to be effected in 2010 (based on information from Chorus' 2009 calendar year - the "2009 Benchmark") and will be effected again in 2016 (using information from Chorus' 2015 calendar year - the "2015 Benchmark"). If the 2009 Benchmark revealed that the percentage difference between Chorus' Unit Costs and the median controllable unit costs, stage length adjusted, of the Comparable Operators had increased compared to the percentage difference of these costs for the twelve-month period beginning July 1, 2006 and ending June 30, 2007, the Controllable Mark-Up was to be reduced accordingly with effect as of January 1, 2010 until December 31, 2020 (unless as a result of the 2015 Benchmark it is further reduced) to the lower of 12.50% or the percentage that is equal to 16.72% minus the change in Controllable Mark-Up resulting from the 2009 Benchmark. If the 2015 Benchmark indicates that the percentage difference between Chorus' Unit Costs and the median controllable unit costs, stage length adjusted, of the Comparable Operators has increased compared to the percentage difference determined during the 2009 Benchmark, the Controllable Mark-Up then in effect will be reduced based on the results of the 2015 Benchmark, with effect as of January 1, 2016 until December 31, 2020. The comparison of Chorus' Unit Costs to the median controllable unit costs of the Comparable Operators, stage length adjusted, will be subject to adjustments required to reflect the differences between Chorus and each Comparable Operator for matters such as fleet type and size, aircraft utilization, currency, geographical deployment and growth relative to Chorus. These adjustments are necessary to facilitate a reasonable and fair comparison of unit costs.

Chorus and Air Canada were unable to reach an agreement in 2010 on the results of the 2009 Benchmark. On February 3, 2011, Chorus and Air Canada agreed to proceed to binding arbitration in respect of the 2009 Benchmark (the “Arbitration”). On October 3, 2011, Air Canada delivered its claim in the Arbitration (the “AC Claim”). In the AC Claim, Air Canada sought a declaration that the appropriate methodology for comparing Chorus' Unit Costs to the adjusted median controllable unit costs of the Comparable Operators is a “component unit cost driver methodology” or “CUCD”. The AC Claim further sought a declaration that the proper application of the CUCD for the purpose of the 2009 Benchmark results in a reduction of the Controllable Mark-Up from 12.50% to 9.54%, effective from January 2010. Air Canada claimed that, if the Controllable Mark-Up was reduced from 12.50% to 9.54%, Chorus would be required to repay Air Canada the amount of $26.0 million in respect of payments made by Air Canada to Chorus in 2010.

At the commencement of the Arbitration hearings in June 2012, Air Canada amended its claim to seek a declaration that the Controllable Mark-Up be reduced to 9.48% rather than 9.54%, and that Chorus be required to repay Air Canada the amount of $24.4 million and $24.7 million in respect of payments made by Air Canada to Chorus in 2010 and 2011, respectively. In its amended Claim, Air Canada sought an order that Chorus be required to pay Air Canada those amounts, or such other amounts as the Panel may determine, as well as any other amount necessary to account for the adjustment of Controllable Mark-Up for payments made by Air Canada to Chorus in 2012 and on a going-forward basis. Such adjustment for 2012 and the first nine months of 2013 was estimated to be approximately $25.0 million and $20.0 million, respectively. The AC Claim also alleged that the formula for calculating the Compensating Mark-Up ought to be adjusted to take into account any reduction in the Controllable Mark-Up (the “Compensating Mark-Up Claim").

On November 7, 2011, Chorus delivered its Defence and Counterclaim in the Arbitration (the “Chorus Claim”). In the Chorus Claim, Chorus asserted that the relevant provisions of the CPA provide that the preferred methodology to be applied for comparing Chorus' Unit Costs to the stage length adjusted median controllable unit costs of the Comparable Operators is on a “cost per available seat mile” or “CASM” basis. Chorus further asserted that, if a CASM methodology were applied with the appropriate normalizations and adjustments, no adjustment to the Controllable Mark-Up would be required as a result of the 2009 Benchmark. As a result, Chorus asserted that it was not required to repay Air Canada any amounts in respect of payments made in 2010 or 2011, and that its Controllable Mark-Up would remain at 12.50% going forward until at least the 2015 Benchmark. In the alternative, Chorus asserted that, even if the Panel were to accept that CASM was not an appropriate methodology, the CUCD methodology proposed by Air Canada in the AC Claim was not an “alternate market recognized benchmark” as contemplated by the CPA. In the further alternative, the Chorus Claim asserted that, even if CUCD were to be found to be an “alternate market recognized benchmark”, a proper application of the CUCD methodology with the appropriate normalizations and adjustments would not result in the adjustment to the Controllable Mark-Up claimed by Air Canada. Finally, Chorus stated that the CPA does not provide for any adjustment to the Compensating Mark-Up formula resulting from an adjustment to the Controllable Mark-Up as a consequence of the 2009 Benchmark exercise.

During the Arbitration, Chorus and Air Canada resolved the Compensating Mark-Up Claim as part of the June 29, 2012 agreement to further amend the CPA to support a continued fleet renewal program with the acquisition of six additional Q400 aircraft and the removal of nine remaining CRJ100 aircraft. The Compensating Mark-Up Claim was therefore removed as a dispute to be determined by the Panel.

The initial hearing of the Arbitration occurred in June 2012. Subsequent to that hearing, the parties exchanged written submissions and then reply submissions. On October 2 and 3, 2012, the Panel released its award (the “Award”).

In the Award, two of the three member Panel concluded that the CUCD methodology put forward by Air Canada was the appropriate methodology to use in the 2009 Benchmark to compare Chorus' Unit Costs to the stage length adjusted median controllable unit costs of the Comparable Operators. However, the Panel also agreed with Chorus that a number of the additional normalizations and adjustments proposed by Chorus were also required to be made (the "Adjustments") but did not provide guidance on the calculation of the impact of such Adjustments on the Controllable Mark-Up. The Panel also agreed with Chorus that fleet age impacts the rate at which maintenance costs increase. The Panel directed Air Canada and Chorus to negotiate a further adjustment that would account for the impact of fleet age on the rate at which maintenance costs increase (the “Fleet Age Adjustment”), failing which the parties were to submit new proposals and analysis to the Panel on that issue.

The parties were unable to reach agreement on the calculation of certain of the Adjustments or on the Fleet Age Adjustment. As a result, the parties scheduled a further hearing with the Panel to occur in the last week of November 2012 to resolve the outstanding issues in dispute. That hearing was subsequently adjourned to the first week of April 2013 in order to provide the parties with additional time to put forward evidence on the issues which remain in dispute. The April 2013 hearing occurred, but the parties were unable to complete the evidence within the time available. As a result, further hearings were held in July 2013 and final written and oral arguments occurred in September 2013.

There remain substantive disputes between the parties with respect to the interpretation and application of the Award and its impact on the Controllable Mark-Up, including the impact of the Fleet Age Adjustment. Chorus' position is that, upon applying the CUCD methodology, along with the proper application of the Adjustments required by the Panel, other than the Fleet Age Adjustment, the Controllable Mark-Up should remain at 12.50% and that the Controllable Mark-Up should also remain at 12.50% after the application of any Fleet Age Adjustment.

Air Canada initially asserted to Chorus its view that the impact of the Adjustments required by the Panel would reduce the Controllable Mark-Up to 11.41%, absent any Fleet Age Adjustment. Based on the evidence presented by both Chorus and Air Canada in the April and July 2013 hearings, in the absence of a Fleet Age Adjustment, the Controllable Mark-Up of 12.50% currently in place pursuant to the CPA would not change as a result of the Arbitration.

In the initial set of hearings in 2012, Air Canada asserted that a Fleet Age Adjustment could not be reliably determined. As previously disclosed, it was only after the release of the Award that Air Canada first asserted that there should be a Fleet Age Adjustment and that such adjustment should be materially in its favour. Chorus has consistently argued that any Fleet Age Adjustment would operate in its favour due to its fleet being older than those of the Comparable Operators in the benchmark periods.

During the April and July 2013 hearings, Chorus and Air Canada each presented to the Panel several models and approaches for calculating the Fleet Age Adjustment. These models and approaches attempt to account for the effect of fleet age on the maintenance costs for airframes, components and, in certain instances, engines. If the Panel determines to apply a Fleet Age Adjustment to any or all of these three cost categories, by adopting any one of the positions put forward by Chorus, the current Controllable Mark-Up of 12.50% will not change as a result of the Arbitration (as the Controllable Mark-Up outcomes range from 12.62% to 16.03%).

There is a wide variation in the outcomes of the models and approaches presented to the Panel by the parties, particularly when the models attempt to calculate and apply a Fleet Age Adjustment to engine maintenance costs. Based on one of its models, at the conclusion of the July hearings, Air Canada has further amended its amended claim to provide for a reduction of the Controllable Mark-Up to 7.11%. Under an award at that level which Chorus views as very unlikely, Chorus would be required to repay Air Canada $43.6 million for 2010, $44.2 million for 2011, and $45.4 million for 2012 as well as any other amount necessary to account for the adjustment of Controllable Mark-Up for payments made by Air Canada to Chorus in 2013. Such adjustment for the first nine months of 2013 is estimated to be approximately $36.0 million. Also in this most recent amendment to its claim, Air Canada has asserted an alternative claim to provide for a reduction of the Controllable Mark-Up to 9.89%. Under an award at that level which Chorus views as very unlikely, Chorus would be required to repay Air Canada $21.1 million for 2010, $21.4 million for 2011, and $22.0 million for 2012, as well as any other amount necessary to account for the adjustment of Controllable Mark-Up for payments made by Air Canada to Chorus in 2013. Such adjustment for the first nine months of 2013 is estimated to be approximately $18.0 million. Chorus asserts that the application of a Fleet Age Adjustment to all categories of maintenance costs, including engine maintenance costs, should result in a Controllable Mark-Up ranging from 12.62% to 16.03% with the result being that the current 12.50% Controllable Mark-Up would remain unchanged and no retroactive payments would be required if the Panel accepts any one of the approaches put forward by Chorus. As a result of these wide variations, it is not practicable to determine an estimate of the possible financial effect, if any, with sufficient reliability.

One of the primary drivers of the wide variation between the parties' respective positions is the sensitivity of the models to small changes in assumptions about engine maintenance costs. Chorus maintains that engine maintenance costs in any particular period are primarily affected not by age, but by the timing of events in the engine overhaul cycle, as well as management decisions whether to enter into fixed rate engine maintenance contracts. As a result, Chorus is of the view that engine maintenance costs should not be adjusted as part of the Fleet Age Adjustment. If engine maintenance costs are not adjusted, the result would be that the Controllable Mark- Up will remain at 12.50% regardless of whether the Panel selects the model put forward by Chorus or the model put forward by Air Canada for calculating and applying the Fleet Age Adjustment to the other categories of maintenance costs.

As of November 13, 2013, the final award from the Panel had not been received. Chorus remains confident in its position that the Controllable Mark-Up of 12.50% in the CPA should not change as a result of the Arbitration. Accordingly, no amounts have been recorded in the accounts of Chorus in 2010, 2011, 2012 or 2013 related to this claim as management has determined that it is not probable that the AC Claim will be successful.

14. 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. 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 December 31, 2012 consolidated financial statements of Chorus. Information regarding Chorus’ critical accounting estimates is disclosed in Section 15 of Chorus’ annual MD&A dated February 20, 2013.

With the exception of a change in the expected residual values of certain assets as described below, there are no changes regarding critical accounting estimates for the three months ended September 30, 2013.

During the period ended September 30, 2013 Chorus reviewed the residual value of its owned aircraft and the estimated useful economic lives of these aircraft. As a result, the expected residual values of the Dash 8-100 and Dash 8-300 aircraft have been revised upwards. The effect of these changes on depreciation expense and related CPA revenue (excluding mark-up), for the three and nine months ended September 30, 2013 was approximately $1.0 million and $4.1 million, respectively. The change in estimate is expected to reduce annual depreciation expense and related CPA revenue (excluding mark-up) by approximately $5.2 million for 2013.

15. ACCOUNTING POLICIES

New accounting standards adopted during the period

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10, “Consolidated Financial Statements” (“IFRS 10”), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”) that addresses consolidation, and supersedes Standing Interpretations Committee (“SIC”) SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. Chorus assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 11, Joint Ventures

The IASB issued IFRS 11, “Joint Arrangements” (“IFRS 11”), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, “Interest in Joint Ventures” and SIC-13, “Jointly Controlled Entities - Non Monetary Contributions by Venturers”. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, “Investments in Associates and Joint Ventures” (“IAS 28”) was amended to reflect the guidance provided in IFRS 10 and IFRS 11. Chorus currently has no interests in joint arrangements, therefore the adoption of this standard had no impact on the Chorus consolidated financial statements.

IFRS 13, Fair Value measurement

The IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by Chorus to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Amendments to standards

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. These changes did not result in any adjustments to OCI or comprehensive income.

IAS 19, *Employee Benefits*, has been amended effective for annual periods beginning on or after January 1, 2013. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available. A number of other amendments have been made to recognition, measurement and classification. Chorus' accounting policy as at December 31, 2012 for recognition of actuarial gains and losses through other comprehensive income was consistent with the revisions contained in the standard. Chorus has retrospectively applied the amendments to IAS 19 and as a result has restated net income from the 2012 comparative period to be lower than originally reported under the historical standard. The decrease arose due to the projected rate of return on plan assets being higher than the discount rate, and results in the statement of income receiving an additional pre-tax charge of $0.3 million for the three months ended September 30, 2012 ($0.9 million for the nine months ended September 30, 2012) with an offsetting pre-tax reduction to other comprehensive income. The revised standard does not impact the balances of employee benefits in the statement of financial position or comprehensive income.

16. CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Chorus’ disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is identified to the disclosure committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of Chorus’ financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Chorus' annual 2012 MD&A dated February 20, 2013, contains a statement that the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Chorus' disclosure controls and procedures, and internal control over financial reporting, are effective based upon an evaluation of these controls and procedures conducted at December 31, 2012.

Chorus filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators upon filing of Chorus' 2012 annual filings. 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' disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. 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 also certified the design of Chorus' disclosure controls and procedures and the design of internal control over financial reporting.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework (1992) 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.

Because of inherent limitations, internal control over financial reporting and disclosure controls 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 2013 that has materially affected, or is reasonably likely to materially affect, Chorus' or the Partnership's internal control over financial reporting.

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, 2013, and Chorus' Board of Directors approved these documents prior to their release.

17. OUTLOOK

The discussion that follows represents 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 2013. This information may not be appropriate for other purposes.

The North American airline industry continues to be highly competitive and Chorus' customer, Air Canada, is facing increasing competition, particularly in the markets which Chorus operates for Air Canada.

The aggressive cost reductions sought by network airlines from all sources, including their regional capacity providers has resulted in some regional airline restructuring in the U.S. and has resulted in lower operating margins in the North American regional capacity industry generally. Chorus expects Air Canada to continue to exert pressure on Chorus to reduce its costs and margins by contracting flying to lower cost providers and through the benchmarking processes as set out in the CPA. Chorus has been developing a framework of potential solutions to address these pressures and create enhanced shareholder value for both Chorus and Air Canada.

Based upon the 2013 schedule planning assumptions received from Air Canada, and Billable Block Hours for the nine months ended September 30, 2013, Chorus anticipates billing between 380,000 and 384,000 Block Hours for the year ending December 31, 2013.

18. RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Chorus, the industry, the structure of Chorus, current legal proceedings and convertible debentures, including description of the 2009 Benchmark Arbitration (refer to Section 13 – Economic Dependence for further discussion) refer to the Section entitled "Risk Factors" in the Chorus Aviation Inc., 2012 Annual MD&A dated February 20, 2013, and Chorus' Annual Information Form dated March 28, 2013.

19. ADDITIONAL INFORMATION

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

20. NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, described below, to evaluate operating performance and in making decisions relating to dividends to Shareholders. 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

EBITDA (earnings before interest, taxes, depreciation, amortization and other items such as asset impairment and foreign gains or losses) is a non-GAAP financial measure and commonly used throughout all industries to view operating results before interest expense, interest income, depreciation and amortization, gains and losses on property and equipment, and other non-operating income and expenses. Management believes 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 non-operating factors such as historical cost. 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.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2013 $	2012 $	Change %	Nine months ended September 30, 2013 $	2012 $	Change %
Operating income	39,255	36,362	8.0	91,787	102,259	(10.2)
Depreciation and amortization(1)	16,507	15,164	8.9	46,145	41,984	9.9
EBITDA	**55,762**	**51,526**	**8.2**	**137,932**	**144,243**	**(4.4)**
EBITDA margin (%)(2)	**12.9**	**11.8**	**9.3**	**11.0**	**11.1**	**(0.9)**

(1) Includes depreciation and amortization related to major maintenance overhauls of $3.8 million (2012 - $3.6 million) and $11.0 million (2012 - $9.9 million) for the three and nine months ended September 30, 2013, respectively.
(2) EBITDA margin is calculated as EBITDA divided by operating revenues.

Standardized Free Cash Flow

Standardized Free Cash Flow is a non-GAAP measure used as an indicator of financial strength and performance. Standardized Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less total capital expenditures and dividends.

The following table provides a reconciliation of cash flows from operating activities to Standardized Free Cash Flow:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended September 30, 2013 $	2012 $	Change %	Nine months ended September 30, 2013 $	2012 $	Change %
Cash flows from operating activities	50,036	76,444	(34.5)	129,726	134,175	(3.3)
Maintenance Capital Expenditures, net of gain on disposal [(1)]	(9,735)	(10,953)	(11.1)	(33,622)	(24,813)	35.5
Standardized Free Cash Flow before growth capital expenditures and dividends	40,301	65,491	(38.5)	96,104	109,362	(12.1)
Growth capital expenditures[(2)]	(263)	259	(201.5)	(117,760)	(134,673)	(12.6)
Dividends paid	(9,241)	(18,602)	(50.3)	(46,505)	(55,806)	(16.7)
Standardized Free Cash Flow	**30,797**	**47,148**	**(34.7)**	**(68,161)**	**(81,117)**	**(16.0)**

(1) Includes expenditures related to capitalized major maintenance overhauls of $5.6 million (2012 - $2.5 million) and $15.9 million (2012 - $9.2 million) for the three and nine months ended September 30, 2013, respectively.
(2) Growth capital expenditures relate to the purchase of Q400 aircraft and Q400 engines.

Adjusted Net Income

Adjusted net income is calculated by adjusting net income by the amount of any unrealized foreign exchange gains or losses on long-term debt and finance leases and therefore more clearly reflects earnings from an operating perspective.

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three months ended September 30, 2013 $	 2012 $	 Change %	Nine months ended September 30, 2013 $	 2012 $	 Change %
Net income for the periods	36,032	36,938	(2.5)	53,111	85,767	(38.1)
Unrealized foreign exchange (gain) loss	(8,324)	(10,035)	(17.1)	10,771	(8,872)	(221.4)
Adjusted net income	**27,708**	**26,903**	**3.0**	**63,882**	**76,895**	**(16.9)**
Adjusted net income per share - basic	**0.23**	**0.22**	**4.5**	**0.52**	**0.62**	**(16.1)**
Non-recurring items:						
Thomas Cook net loss (income)	—	*1,286*	*100.0*	—	*(11,679)*	*100.0*
Voluntary employee severance	*728*	—	*100.0*	*8,652*	—	*100.0*
Adjusted net income, after non-recurring items	*28,436*	*28,189*	*0.9*	*72,534*	*65,216*	*11.2*
Adjusted net income after non-recurring items per share - basic	*0.23*	*0.23*	—	*0.59*	*0.53*	*11.3*

21. GLOSSARY OF TERMS

“**7503695**” means 7503695 Canada Inc., a corporation incorporated under the Canada Business Corporations Act on April 14, 2010;

“**Arbitration**” means the binding arbitration process between Chorus and Air Canada related to the 2009 Benchmark;

“**Available Seat Mile (ASMs)**” means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

"**Average stage length**" means the average distance of a non-stop flight leg between take-off and landing as defined by International Air Transport Association (IATA) guidelines;

“**Aviation GP**” means Aviation General Partner Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on November 18, 2010 to act as the general partner of Jazz Aviation LP;

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

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

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

“**Chorus**” references herein to Chorus or the Company in this MD&A refer to, as the context may require, Chorus Aviation Inc. and its current and former subsidiaries (including, but not limited to, the Partnership, Aviation GP, 7503695 and Chorus Leasing III Inc.) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself;

“**CICA**” means the Canadian Institute of Chartered Accountants;

“**CICA Handbook**” means the handbook of the Canadian Institute of Chartered Accountants Part 1, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”);

"**Compensating Mark-Up**" has the meaning given in the CPA;

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

“**Controllable Mark-Up**” has the meaning given in the CPA;

“**Cost per Available Seat Mile**” or “**CASM**” means the operating expense per Available Seat Mile;

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

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

“**CPA Amending Agreements**” means the agreements to amend the CPA dated September 22, 2009, March 8, 2011 and June 6, 2013;

“**Debentures**” mean the $80.2 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus due December 31, 2014;

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

“**EDC**” means Export Development Canada;

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

“**Flight Hours**” has the meaning given in the CPA;

“**Flight Services Agreement**” means the contractual flying agreement between Thomas Cook and Chorus;

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

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

“**Guaranteed Minimum Number of Covered Aircraft**” has the meaning given in the CPA;

“**IASB**” means the International Accounting Standards Board;

“**IFRS**” means International Financial Reporting Standards;

“**Initial LeaseCos**” means Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc., collectively;

“**Jazz**” means Jazz Aviation LP, together with its general partner, Aviation GP, and their respective subsidiaries and predecessors; and, in particular, reference to Jazz in respect of a time period prior to October 1, 2004 are references to the business of Jazz as carried on by Jazz Air Inc., which was liquidated on September 30, 2004, and references to Jazz in respect of the time period from October 1, 2004 until February 1, 2006 are references to the business of Jazz as carried on by Jazz Air Limited Partnership, and references to Jazz in respect of the time period from February 2, 2006 to January 5, 2011 are references to the business of Jazz as carried on by Jazz Air LP, unless the context requires otherwise;

“**Jazz Air LP**” means Jazz Air LP, a limited partnership established under the laws of the Province of Québec on September 12, 2005, which carried on the regional airline business from February 2, 2006 until January 5, 2011;

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

"**Management**" means management personnel of Chorus;

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

"**Operating Aircraft**" means Covered Aircraft under the CPA plus charter aircraft, plus Thomas Cook aircraft, less new aircraft deliveries which have not yet entered commercial service;

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

"**Partnership Agreements**" mean those contracts signed by Jazz for contract flying;

"**Pass-through costs**" mean those costs that are reimbursed under Partnership Agreements;

"**Pass-through revenue**" means operating revenue derived from costs that are reimbursed under Partnership Agreements;

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

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

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

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

"**The Partnership**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario;

"**Thomas Cook**" means Thomas Cook Canada Inc.;

"**TSX**" means the Toronto Stock Exchanges; and

"**Unit Costs**" has the meaning given in the CPA.