



International Financial Reporting Standards (“IFRS”) Transition

Information Session

May 10, 2011

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IFRS Transition

Caution Regarding Forward-looking Information



Forward-looking statements are included in this presentation. 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.

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IFRS Transition Outline



- Introduction
- Key Differences:
 - Business Combinations
 - Property and Equipment
 - Employee Benefits
 - Other
- Estimated Adjustments on Adoption of IFRS:
 - Consolidated Statements of Financial Position (as at January 1, 2010)
 - Consolidated Statements of Operation (2010 Annual and Quarterly)

IFRS Transition

Introduction



- Effective January 1, 2011, Chorus is required to prepare IFRS financial statements, with comparative figures for 2010.
- Management's Discussion and Analysis for 2010 included a discussion of key accounting policy changes expected under IFRS.
- The following information is provided solely for the purpose of allowing investors and others to obtain a better understanding of the estimated IFRS impact on Chorus' 2010 interim and annual financial results previously reported under Canadian GAAP. Readers are cautioned that it may not be appropriate to use such information for any other purpose.
- IFRS has **no direct impact** on Chorus' business strategy, underlying business operations or cash flows.
- All figures presented are subject to the completion of an external audit or review.
- Chorus is continuing to assess the impact of IFRS on accounting for income taxes.
- The accounting policy differences identified in this presentation should not be considered as complete or final, as further changes, or other effects and other policy differences may be identified. In addition, the information provided reflects the Corporation's assumptions, estimates and expectations as of May 10, 2011, all of which are subject to change. Circumstances may arise, including changes in IFRS, regulations or economic conditions, which could change these assumptions, estimates or expectations or the information provided.
- For additional information, see Chorus' Annual Information Form dated March 30, 2011 and Chorus' 2010 MD&A dated February 7, 2011, available on Chorus' website at www.chorusaviation.ca or on SEDAR at www.sedar.com.

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Key Differences - Business Combinations



Business combinations

- Chorus has elected to apply the guidance under IFRS, retrospectively, to the business combination with Jazz Air LP
 - **Expected impact to opening balance sheet**
 - This business combination will be accounted for as a common control transaction
 - As a result, the transaction will be recorded by Chorus using predecessor accounting, which results in the use of the predecessor carrying value of the LP and GP, with the following impact:
 - No accounting recognition of CPA intangible asset (“CPA Asset”) previously recorded under Canadian GAAP
 - Reduction in opening equity of \$676.2 million
 - **Ongoing implications**
 - No ongoing annual amortization charge related to CPA Asset (\$32.2 million under Canadian GAAP for fiscal 2010)

IFRS Transition

Key Differences - Property and Equipment



Revaluation as deemed cost

- Under Canadian GAAP, Chorus applied fresh start reporting on September 30, 2004. As a result, all consolidated assets and liabilities of Chorus were reported at fair values. As permitted under IFRS 1, Chorus has elected to apply those fair values as deemed cost for IFRS as at the date of the revaluation

Capitalized maintenance

- Cost of major maintenance events will be capitalized and depreciated over the expected life of the maintenance cycle
 - Average expected life between major overhauls range from approximately 1.5 years to 2.5 years, depending on the fleet type
- This change will apply to airframes which are owned or finance leased
- Engine maintenance provided under power-by-the-hour arrangements will continue to be charged to the income statement as incurred
- **Expected impact to opening balance sheet**
 - On January 1, 2010 the capitalization of the maintenance will result in an increase of \$13.8 million to property and equipment and an offsetting increase to retained earnings for the same amount
- **Ongoing implications**
 - 2010 amortization expense will be \$12.0 million, compared to \$5.9 million of salaries and benefits expense for employees performing major maintenance events and \$3.9 million of maintenance expense under Canadian GAAP

IFRS Transition

Key Differences - Employee Future Benefits



Background

- Chorus maintains a registered defined benefit pension plan for the pilots and also maintains an unregistered supplementary executive retirement plan for certain employees. These defined benefit pension plans are referred to in this IFRS transition update as the “pension plans”.
- Chorus also maintains other (non pension) employee future benefits which are referred to in this IFRS transition update as “Other Employee Future Benefits”. These benefits include medical and dental benefits provided to employees on long-term disability and workers compensation. Chorus also self insures Workers Safety Insurance Board benefits in respect of Ontario employees which are collectively referred to in this presentation as “Other Long-term Benefits”. Chorus also maintains a program that pays out certain employees their sick leave balance upon or just prior to retirement.
- For further information on Chorus’ employee future benefits please refer to note 19 of the 2010 audited annual statements.

IFRS Transition

Key Differences - Employee Future Benefits



Pension and other employee future benefits

- **Expected impact to the opening balance sheet**
 - As at January 1, 2010, all cumulative actuarial gains and losses on pension and other employee future benefit plans amounting to \$11.6 million will be recognized directly into retained earnings.
 - An additional minimum funding requirement liability of \$22.2 million will be recorded under IFRIC 14 at January 1, 2010 in respect of the Chorus Registered Pension Plan.
 - Resulting balance sheet liability for the registered pension plans will represent the expected present value of solvency payments on the deficit, taking into account the funding regulations and other adjustments under IFRS.
- **Ongoing implications**
 - Chorus will recognize actuarial gains and losses in other comprehensive income (“OCI”) going forward. In 2010, these actuarial losses were recognized in the amount of \$22.0 million for pension and \$0.2 million for other employee future benefits (excluding Other Long-term Benefits).
 - Chorus will recognize changes in IFRIC 14 impacts in OCI going forward. In 2010 there will be a decrease in the liability under IFRIC 14 of \$20.1 million, which when combined with the actuarial losses will result in a net charge to OCI of \$2.1 million.
 - Current service costs and net actuarial gains/losses for the Other Long-term Benefits will be recorded in operating expenses. These will total \$13.2 million in 2010 under IFRS.

IFRS Transition

Key Differences - Employee Future Benefits



Pension and Other Employee Future Benefits
 Opening Balance Sheet Adjustments
 As at January 1, 2010
 Expressed in thousands of Canadian dollars

	Pension Benefits \$	Other Employee Future Benefits \$	Total \$	
Net benefit asset (obligation) – Canadian GAAP	11,316	(8,062)	3,254	
Recognize all cumulative actuarial gains and losses on transition	(10,050)	(1,577)	(11,627)	} 33,813
Additional minimum funding liability under IFRIC 14	(22,186)	-	(22,186)	
Pension and other benefit liabilities	(20,920)	(9,639)	(30,559)	

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

IFRS Transition

Key Differences - Employee Future Benefits



Pension and Other Employee Future Benefits
 Costs for the year ended December 31, 2010
 Expressed in thousands of Canadian dollars

	Canadian GAAP 2010	IFRS 2010	Change 2010
	\$	\$	\$
Net periodic benefit cost			
Pension benefits	8,703	8,653	50
Other employee future benefits	<u>2,483</u>	<u>4,582</u>	<u>(2,099)</u>
Total cost included in benefits expense	11,186	13,235	(2,049)
Immediately recognized net actuarial loss			
Pension benefits	n/a	21,962	(21,962)
Other employee future benefits	n/a	246	(246)
Decrease in additional liability under IFRIC 14	n/a	<u>(20,115)</u>	<u>20,115</u>
Total amount recognized through OCI	n/a	2,093	(2,093)

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

IFRS Transition

Key Differences - Employee Future Benefits



	Canadian GAAP 2010			IFRS 2010 \$	Change 2010 \$
	Pension Benefits \$	Other Employee Future Benefits \$	Total \$		
Pension and Other Employee Future Benefits Balance for the year ended December 31, 2010 Expressed in thousands of Canadian dollars					
Funded status	(7,665)	(13,230)	(20,895)	(20,895)	-
Accrued contributions	1,035	-	1,035	1,035	-
Unamortized net actuarial loss	31,962	3,922	35,884	-	35,884
Accrued benefit asset (liability) before adjustment	25,332	(9,308)	16,024	(19,860)	35,884
Additional liability through OCI	-	-	n/a	(2,071)	2,071
Accrued benefit asset (liability) after adjustment	25,332	(9,308)	16,024	(21,931)	37,955

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

IFRS Transition Key Differences - Other



Other

Convertible debentures and long-term incentive plan (“LTIP”)

- As a result of the attributes of Jazz Air Income Fund units under a trust structure, prior to conversion to a corporation on December 31, 2010 (Chorus Aviation Inc.) the equity component of the debentures and LTIP will be treated as a derivative under IFRS and be revalued at each reporting period.
- On transition to a corporation, the derivative components will become fixed and get reclassified to equity to continue similar treatment to Canadian GAAP.
- As at January 1, 2010 opening other long-term liabilities will be increased by \$7.4 million and there will be a reduction to shareholder’s equity of same. During 2010, an additional expense of \$9.0 million will be recognized as a result of the revaluation of the derivatives under IFRS.

Estimated Expected Adjustments to the Consolidated Statement of Changes in Shareholders' Equity on Adoption of IFRS



Shareholders' Equity on Transition to IFRS
January 1, 2010
Expressed in millions of Canadian dollars

Canadian GAAP Shareholders' Equity	\$ 804
Restatement of business combination with Jazz Air LP	(676)
Capitalization of major maintenance events	14
Additional minimum funding liability under IFRIC 14	(22)
Recognition of cumulative actuarial gains and losses – pension and other employee future benefits	(12)
Recognition of equity portion of convertible debentures and LTIP as liabilities	(7)
	<hr/>
IFRS Shareholders' Equity	\$ 101
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Note: The impact of adjustments related to income taxes under IFRS is not reflected above

Estimated Expected Adjustments to the Consolidated Statement of Financial Position on Adoption of IFRS - January 1, 2010



Unaudited As at January 1, 2010 Expressed in thousands of Canadian dollars	Canadian GAAP January 1, 2010 \$	Business combinations \$	Property & equipment \$	Employee benefits \$	Other \$	Deferred income tax \$	IFRS January 1, 2010 \$
Assets							
Current assets	343,267						343,267
Property and equipment	202,994		13,829				216,823
Intangible assets	682,479	(676,179)					6,300
Other assets	37,731			(8,507) ⁽¹⁾			29,224
	<u>1,266,471</u>	<u>(676,179)</u>	<u>13,829</u>	<u>(8,507)</u>	<u>-</u>	<u>-</u>	<u>595,614</u>
Liabilities							
Current liabilities	302,746						302,746
Obligations under capital leases	15,097						15,097
Convertible debentures	78,180				(573)		77,607
Deferred income tax	13,294						13,294
Other long-term liabilities	52,699			25,306 ⁽¹⁾	7,441		85,446
	<u>462,016</u>	<u>-</u>	<u>-</u>	<u>25,306</u>	<u>6,868</u>	<u>-</u>	<u>494,190</u>
Shareholders' Equity							
Shareholders' capital	1,035,280						1,035,280
Retained earnings	(240,785)	(676,179)	13,829	(33,813)	(103)		(937,051)
Contributed surplus	6,438				(2,441)		3,997
Accumulated other comprehensive loss	(802)						(802)
Equity component of debentures	4,324				(4,324)		-
	<u>804,455</u>	<u>(676,179)</u>	<u>13,829</u>	<u>(33,813)</u>	<u>(6,868)</u>	<u>-</u>	<u>101,424</u>
	<u>1,266,471</u>	<u>(676,179)</u>	<u>13,829</u>	<u>(8,507)</u>	<u>-</u>	<u>-</u>	<u>595,614</u>

- (1) On transition, the defined benefit pension plan moved from an asset to a liability on the balance sheet due to the recognition of additional minimum funding liability under IFRIC 14. The supplemental executive retirement plan remained in an asset position and continues to be classified in other assets.

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

Estimated Expected Adjustments to the Consolidated Statement of Operations on Adoption of IFRS



Unaudited For the year ended December 31, 2010 Expressed in thousands of Canadian dollars	Canadian GAAP 2010 \$	Business combinations \$	Property & equipment \$	Employee benefits \$	Other \$	Deferred income tax \$	IFRS 2010 \$
Operating revenue							
Passenger	1,479,584	-	-	-	-	-	1,479,584
Other	6,582	-	-	-	-	-	6,582
	<u>1,486,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,486,166</u>
Operating expenses							
Salaries and wages	302,046	-	(5,854)	-	(279)	-	295,913
Benefits	59,034	-	-	2,049	-	-	61,083
Aircraft fuel	299,341	-	-	-	-	-	299,341
Depreciation and amortization	29,871	-	12,018	-	-	-	41,889
Amortization of CPA	32,192	(32,192)	-	-	-	-	-
Food beverage and supplies	13,890	-	-	-	-	-	13,890
Aircraft maintenance materials, supplies and services	158,018	-	(3,866)	-	-	-	154,152
Airport and navigation fees	193,233	-	-	-	-	-	193,233
Aircraft rent	115,602	-	-	-	-	-	115,602
Terminal handling services	107,524	-	-	-	-	-	107,524
Other	116,754	-	-	-	-	-	116,754
	<u>1,427,505</u>	<u>(32,192)</u>	<u>2,298</u>	<u>2,049</u>	<u>(279)</u>	<u>-</u>	<u>1,399,381</u>
Operating income	<u>58,661</u>	<u>32,192</u>	<u>(2,298)</u>	<u>(2,049)</u>	<u>279</u>	<u>-</u>	<u>86,785</u>
Non-operating income (expenses)							
Interest revenue	623	-	-	-	-	-	623
Interest expenses	(9,066)	-	-	-	(81)	-	(9,147)
Gain on disposal of property and equipment	747	-	-	-	-	-	747
Foreign exchange gain (loss)	(417)	-	-	-	-	-	(417)
Other	-	-	-	-	(9,008)	-	(9,008)
	<u>(8,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,089)</u>	<u>-</u>	<u>(17,202)</u>
Income before deferred taxes	<u>50,548</u>	<u>32,192</u>	<u>(2,298)</u>	<u>(2,049)</u>	<u>(8,810)</u>	<u>-</u>	<u>69,583</u>
Recovery of deferred income taxes	75,270	-	-	-	-	-	75,270
Net income for the year	<u>125,818</u>	<u>32,192</u>	<u>(2,298)</u>	<u>(2,049)</u>	<u>(8,810)</u>	<u>-</u>	<u>144,853</u>

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

Estimated Expected Adjustments to the Consolidated Statement of Operations on Adoption of IFRS



Unaudited For the year ended December 31, 2010 Expressed in thousands of Canadian dollars	Q1 2010		Q2 2010		Q3 2010		Q4 2010	
	CGAAP	IFRS	CGAAP	IFRS	CGAAP	IFRS	CGAAP	IFRS
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue								
Passenger	353,808	353,808	357,615	357,615	377,541	377,541	390,621	390,621
Other	1,564	1,564	1,395	1,395	1,568	1,568	2,054	2,054
	355,372	355,372	359,010	359,010	379,109	379,109	392,675	392,675
Operating expenses								
Salaries and wages	74,587	73,177	71,660	70,125	77,090	75,205	78,709	77,406
Benefits	15,904	15,904	13,691	13,691	15,638	15,638	13,801	15,850
Aircraft fuel	65,822	65,822	71,373	71,373	77,632	77,632	84,514	84,514
Depreciation and amortization	7,977	11,080	7,100	10,152	7,409	10,385	7,385	10,272
Amortization of CPA	8,048	-	8,048	-	8,048	-	8,048	-
Food beverage and supplies	3,026	3,026	3,190	3,190	3,478	3,478	4,196	4,196
Aircraft maintenance materials, supplies and services	39,828	39,120	38,279	37,362	41,552	40,190	38,359	37,480
Airport and navigation fees	44,984	44,984	47,588	47,588	49,628	49,628	51,033	51,033
Aircraft rent	29,330	29,330	29,129	29,129	28,422	28,422	28,721	28,721
Terminal handling services	30,147	30,147	22,472	22,472	23,366	23,366	31,539	31,539
Other	26,940	26,940	27,655	27,655	28,009	28,009	34,150	34,150
	346,593	339,530	340,185	332,737	360,272	351,953	380,455	375,161
Operating income	8,779	15,842	18,825	26,273	18,837	27,156	12,220	17,514
Non-operating income (expenses)								
Interest revenue	127	127	67	67	160	160	269	269
Interest expenses	(3,012)	(3,026)	(2,139)	(2,184)	(1,947)	(1,946)	(1,968)	(1,991)
Gain on disposal of property and equipment	335	335	149	149	104	104	159	159
Foreign exchange gain (loss)	(350)	(350)	(1,311)	(1,311)	963	963	281	281
Other	-	3,307	-	(7,333)	-	3,910	-	(8,892)
	(2,900)	393	(3,234)	(10,612)	(720)	3,191	(1,259)	(10,174)
Income before deferred taxes	5,879	16,235	15,591	15,661	18,117	30,347	10,961	7,340
Recovery of deferred income taxes	644	644	-	-	965	965	73,661	73,661
Net income for the period	6,523	16,879	15,591	15,661	19,082	31,312	84,622	81,001

Note: The impact of adjustments related to income taxes under IFRS is not reflected above

IFRS Transition



Q&A and Wrap – up

Thank you.