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New Capacity Purchase Agreement

February 2015

Disclaimer

Caution regarding forward-looking information

Certain information in this presentation, and statements made during this presentation, may contain statements which are forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties, and that the Chorus dividend policy under which the Board evaluates the dividend on a regular basis and declares dividends at their discretion as further described in the Chorus MD&A. 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, airline leasing, energy prices, general industry, market, credit, and economic conditions,(including a severe and prolonged economic downturn allowing Air Canada to decrease the amounts it pays under the CPA during such downturn), competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, 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. The forward-looking statements contained in this discussion represent Chorus’ expectations as of February 2, 2015, and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

Agenda

The time is right to restructure the CPA

Highlights of the new CPA

Fleet benefits

Key comparisons: Summary of components

The value proposition

The time is right to restructure the CPA

- Air Canada growth creates a unique timing opportunity
- Previous CPA model not competitive for the long term given the changing competitive landscape
- Air Canada and Chorus fully aligned on improving cost structure and building a framework for a successful long term relationship
- Improved network flexibility; more efficient aircraft

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- Effective January 1, 2015
- Extension through to December 31, 2025
- Moves Chorus to a very competitive position in regional sector
- Significant cost reductions
- Strengthens relationship with Air Canada
- Better aligns interests

The New CPA:
Win – Win for Chorus and Air Canada

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The new CPA allows both parties to achieve and maintain competitive cost structures while securing a more cooperative and stable working relationship.

Value to Chorus

- Secure extension of CPA by 5 years to YE2025
- Platform for fleet renewal
  - Leveraging and unlocking value of owned Dash 8-100 aircraft
  - Incremental larger gauge flying and related ownership benefits
- Enhanced value driven by leasing under the CPA
- Cost competitive for the long term
- Compensation levels anticipated to support the dividend through to 2025
- Previous CPA value secured to 2020; elimination of the 2015 Cost Benchmarking

Value to Air Canada

- Improved network strength
- More operational and market flexibility
- Highly, and increasingly competitive ASM costs
- Reduced cost risk
- Supply of qualified pilots for projected demand
- Leverage economies of scale of Jazz operation

Value to Both Companies

- Fleet renewal, including resolution of investment decision in Dash 8- 300 fleet
- Long-term pilot collective agreement to 2025 matching CPA term with competitive terms
- CPA structure promotes cost-efficiencies, rather than prior CPA where margins applied to costs failed to incent lower costs
- Significantly lower execution risks versus waiting until CPA expiry

New pilot agreement

- Industry-leading 11-year agreement
  - Greater flexibility with cost competitive structure
  - Creates long-term stability
- Currently 85% of Jazz pilots at top of wage scale (based on seniority)
- Pilot Mobility Agreement allows senior pilots flow up to Air Canada Jazz transitions to a less senior pilot demographic
- Productivity enhancements
- Enhanced ongoing cost control through flow up

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Fleet simplification and modernization

The Chorus fleet will transition to more efficient, larger aircraft with significant fleet simplification

- Jazz will transition to a mix of larger, newer technology regional jets (CRJ705s) and turboprops (Q400s)

Aircraft Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Q400	27	37	39	39	39	44	44	44	44	44	44
CRJ200	16	13	10	10	10	0	0	0	0	0	0
CRJ705	16	16	16	16	16	16	16	16	16	16	16
Total	**59**	**66**	**65**	**65**	**65**	**60**	**60**	**60**	**60**	**60**	**60**

- The to-be-formed classic airline will shrink in size over time to accommodate the addition of Q400s, replacing older, less efficient Dash 8-100s that have a higher value in alternative uses

Aircraft Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dash 8-100	28	19	16	15	15	15	12	12	4	1	0
Dash 8-300	26	26	26	26	26	26	26	26	26	26	26
Total	**54**	**45**	**42**	**41**	**41**	**41**	**38**	**38**	**30**	**27**	**26**

New CPA: Fleet Benefits to Chorus

Unlocking the value in the fleet

Dash 8 Classics: Unlocking Value	Existing Q400s: Solidifying Value	New Q400s: Leveraging Chorus Balance Sheet to Enhance Value
• Reduction of 19 Dash 8-100s prior to 2020 enables Chorus to re-deploy these owned assets • Remaining Dash 8-100s flown under existing compensation structure through to retirement • Life extension program investment for Dash 8-300's with AC financing	• Ensures return for Chorus investment for a much longer period of time • Solidifies the existing lease rates through expiry of the financing • Market rates thereafter through CPA expiry	• Minimum addition of 13 new Q400s of the 23 Q400s to be introduced • Leverage of the Chorus balance sheet to finance the new Q400s at attractive financing terms • Differentiator to other Air Canada regional providers

** Jazz Charters current fleet of 2 Dash 8-300s and 1 CRJ-200 unchanged*

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Components	Prior CPA	New CPA
Compensation	▪ 12.5% mark up on Jazz controllable costs	▪ Moved to a fixed fee compensation structure based on aircraft in fleet and infrastructure provided. Compensation value fixed to end of 2020 and then varies by aircraft in fleet beginning in 2021. ▪ Similar compensation level versus prior historical amounts until 2020
Performance Incentives/Critical Service Levels	▪ Incentives only ▪ Incentives based on Performance Level and Scheduled Flights Revenue (Controllable plus Mark Up)	▪ Incentives are fixed amounts per aircraft based on obtaining Performance Levels ▪ Incentives with Critical Service Level Penalties introduced post 2020, move to a market incentive plan beginning in 2021
Crew Wages & Benefits (Pilots & Flight Attendants)	▪ Rates set for three year periods	▪ Rates set for 11-year CPA term based on anticipated flying levels ▪ Rates with AC are adjusted for: actual block hours and Jazz pilot flow to AC is outside modeling threshold ; efficiency of crew schedules delivered by AC; and regulatory changes. ▪ Ability to offer Voluntary Severance Packages beyond the flow to AC to reduce costs. ▪ Crew wages and benefits represented ~20% of total controllable costs in 2014
Pilot Pension	▪ Defined Benefit Plan for all pilots ▪ AC paid pension current accounting expense	▪ For new pilots, Defined Contribution Plan. ▪ For existing pilots, AC pays current service accounting expense.
Pass-through costs	▪ As defined in CPA	▪ Pass Through Costs where AC has direct contract, such as fuel will be paid by AC directly ▪ Additional Pass Through Costs outlined on next slide

Key Comparisons:
Summary of components

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Components	Prior CPA	New CPA
Controllable Costs Excluding Crew Costs	▪ As defined in CPA with certain services provided by AC billed back as a controllable cost by Jazz	▪ The following costs are moved to Pass Through with AC having option to pay directly items such as: ▪ AC provided services, such as ground handling and building rent ▪ Third party ground handling services ▪ Passenger inconvenience charges ▪ Catering & commissary costs ▪ Aircraft hull insurance ▪ In general, rates to be set annually ▪ AC to ensure Jazz is cash flow neutral to its minimum cash position based on expenses moving to pass through or fully paid by AC
Rate Periods – Excluding Crew Costs	▪ Controllable rates set every 3 years	▪ Most Controllable rates set annually, eliminating risk of longer rate periods
Aircraft Ownership (Chorus owned fleet)	▪ Ownership costs on Classic Dash 8 fleet based on depreciation only ▪ Market lease rates for Q400s	▪ Post Extended Service Program (ESP) events, Classic Dash 8 ownership moves to an attractive lease rate ▪ AC providing favourable ESP financing in return for attractive lease rates ▪ Market lease rates for Q400s
MADUG (Minimum Average Daily Utilization Guarantee)	▪ Fleet type specific MADUG levels ▪ No seasonal fluctuation	▪ Blended MADUG across all fleet types by CPA ▪ Seasonal fluctuation permitted
Benchmarking	▪ Benchmarking provision included for 2015	▪ No benchmarking provision
Margin Adjustment & Compensating Mark-Up	▪ Margin Adjustment was 50% of Performance Beyond Target Margin paid to AC ▪ Compensating Mark-Up increased mark-up if block hours fell below minimum annual level	▪ No margin adjustment ▪ No Compensating Mark-Up

Chorus compensation under the CPA

Jazz CPA (Millions CAD$)	**For the calendar year ended Dec. 31, 2013**	**For the 12 months ended Sept. 30, 2014**	**Average for calendar years 2015-2020**	**Average for calendar years 2021-2025**
CPA Compensation *(Note 1)*	$108.1	$111.8	$109.7	$62.9
CPA Compensating Mark-up	--	$3.7	N/A	N/A
CPA Performance Incentives – Earned *(Note 2)*	$20.8	$22.1	TBD	TBD
CPA Performance Incentives – Maximum available	$23.1	$24.0	$23.4	$12.2
Total CPA Compensation Earned	$128.9	$137.6	TBD	TBD
Total CPA Compensation Available	**$131.2**	**$139.5**	**$133.1**	**$75.1**
Aircraft Leasing Under CPA *(Note 3)*	$49.7	$55.8	$91.4	$95.6
Total CPA Compensation & Aircraft Leasing Earned under CPA	$178.6	$193.4	TBD	TBD
Total CPA Compensation & Aircraft Leasing available under CPA	**$180.9**	**$195.3**	**$224.5**	**$170.7**
# Aircraft Under Lease in CPA				
- Bombardier Q400	19	21	32	34
- De Havilland Dash 8-300	--	--	8	19

Note 1-CPA Compensation for 2015-2020 is not contingent upon fleet size while 2021-2025 has a portion adjusted downward as the remaining Dash 8 100 aircraft reach their retirement dates. The compensation amounts shown for 2015-2025 are not impacted by block hours flown and assume no material events of default or force majeure by either party to the CPA.
Note 2-There can be no assurance given that the 90% historical level of performance under the CPA Performance Incentives Earned will be achieved in the future.
Note 3-Aircraft Leasing contains forward-looking information based on certain assumptions and estimates including: estimated purchase price; foreign exchange rates; and interest rates for purchase of the incremental 13 Q400 aircraft, and market lease rates post retirement of current 21 Q400 debt financing based on the fleet plan. These projections may differ from actuals numbers if there are material changes in any and all of these assumptions or estimates.

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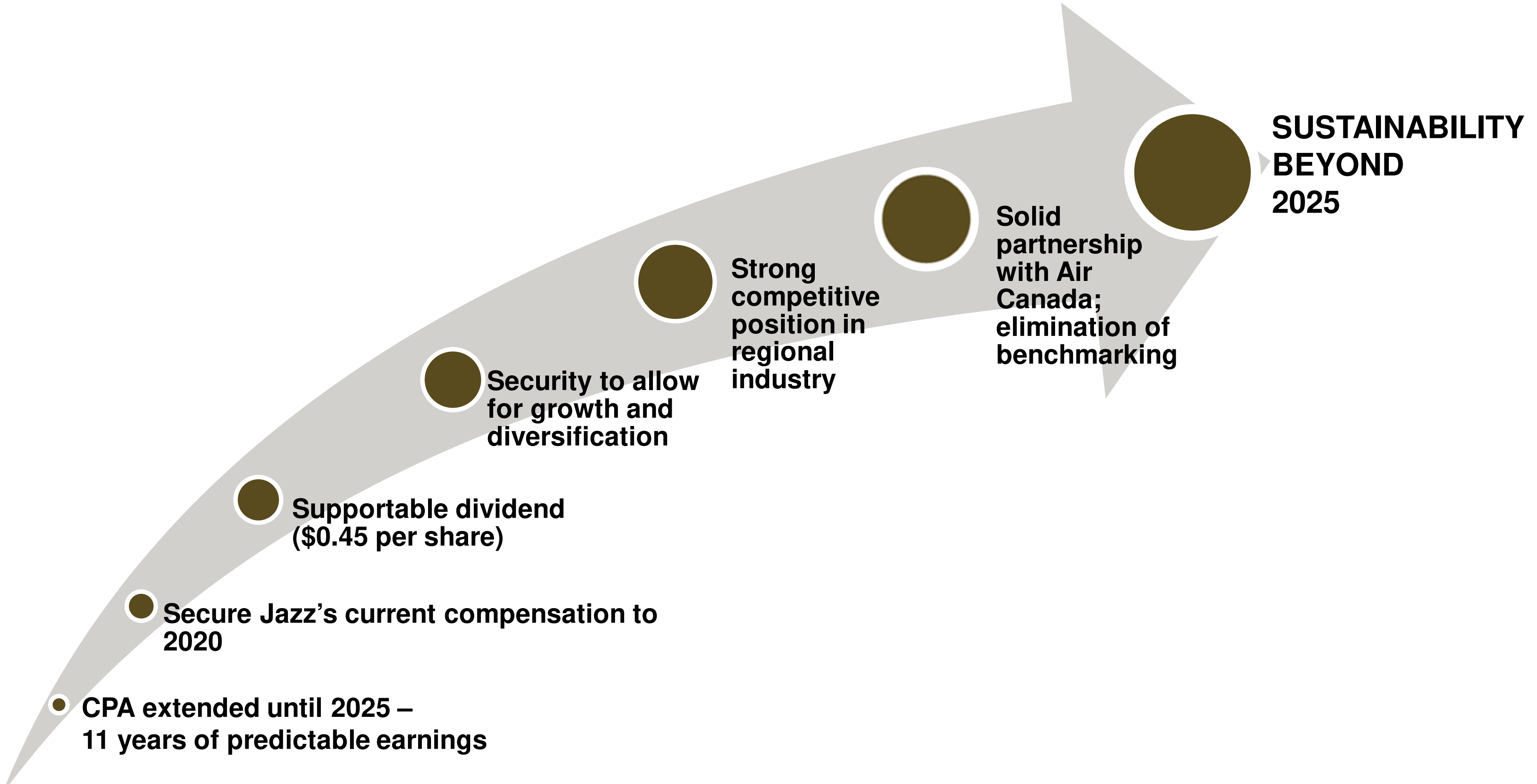

New CPA maintains current compensation until 2020 – while strengthening our relationship with Air Canada and solidifying our competitive position for sustainability beyond 2025

**See caution regarding forward-looking information.*

THANK YOU

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Appendix 1:
Responsibilities within the CPA

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Responsibilities	
AIR CANADA	AIR CANADA express
Purchases capacity	Provides crews
Determines routes	Airframe maintenance
Flight schedules	Flight operations
Ticket prices	Some airport operations
Marketing	

Appendix 2:
Chorus Quarterly Operating Revenue

Operating Revenue: (Millions CAD$)	**Q1 2013 $**	**Q2 2013 $**	**Q3 2013 $**	**Q4 2013 $**	**Q1 2014 $**	**Q2 2014 $**	**Q3 2014 $**
Flight revenue including charter	210.6	213.5	222.7	212.0	213.3	218.6	226.7
Aircraft leasing revenue under the CPA	10.0	13.0	13.2	13.5	14.2	14.1	14.0
CPA Compensation[1]	30.7	32.1	33.9	32.2	33.4	35.0	37.0
Pass-through	162.0	148.7	160.9	153.0	149.9	146.6	152.2
Passenger	413.3	407.3	430.7	410.7	410.8	414.3	429.9
Other	2.9	3.0	1.7	2.5	3.8	3.5	2.6
	416.2	**410.3**	**432.4**	**413.2**	**414.6**	**417.8**	**432.5**

(1) CPA Compensation

CPA Compensation: (Millions CAD$)	**Q1 2013 $**	**Q2 2013 $**	**Q3 2013 $**	**Q4 2013 $**	**Q1 2014 $**	**Q2 2014 $**	**Q3 2014 $**
Mark-up, excluding Compensating Mark-Up	26.4	26.7	28.1	26.9	26.3	28.1	30.5
Compensating Mark-Up	0.0	0.0	0.0	0.0	1.2	1.2	1.3
Incentive	4.3	5.4	5.8	5.3	5.9	5.7	5.2
	30.7	**32.1**	**33.9**	**32.2**	**33.4**	**35.0**	**37.0**