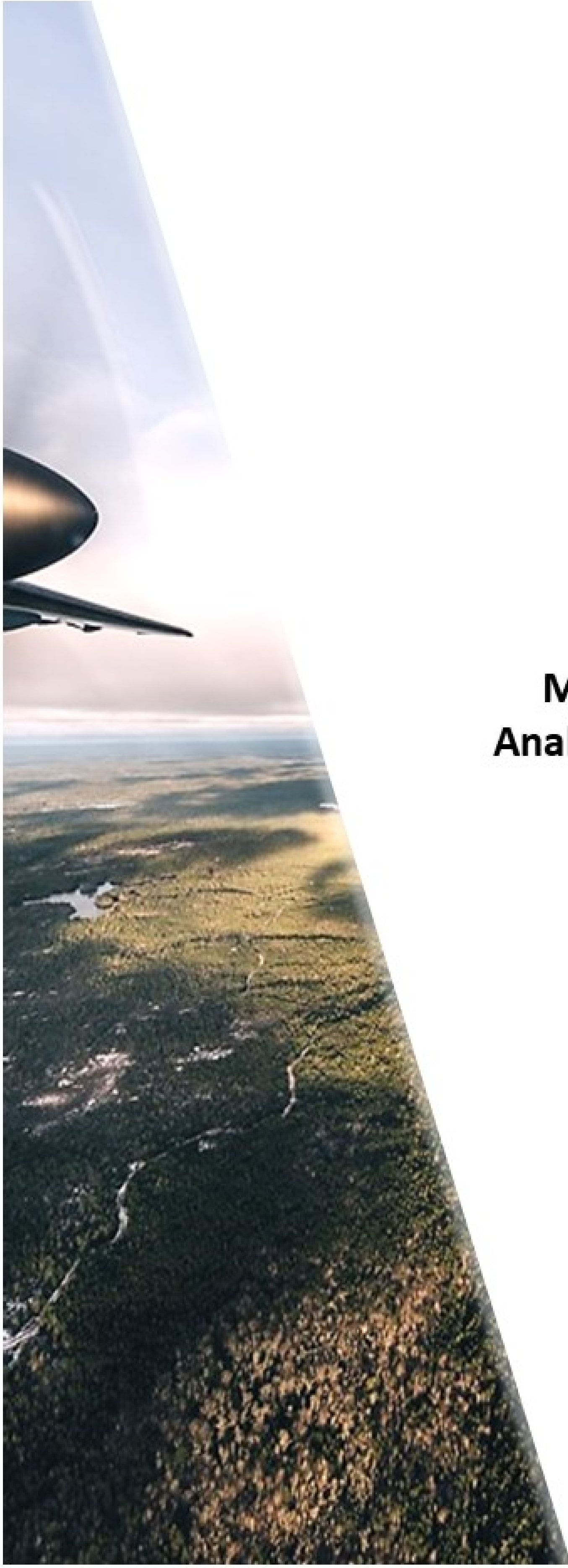


chorus
aviation inc.

First Quarter 2020

Management's Discussion and Analysis of Results of Operations And Financial Condition

May 14, 2020

INTRODUCTION

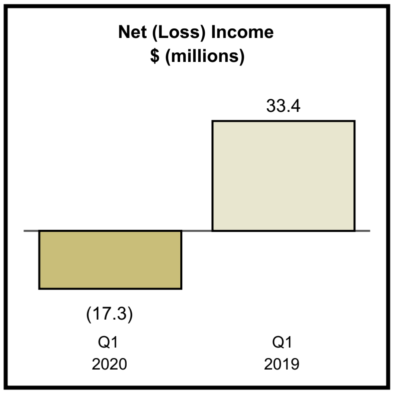
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 23 - Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

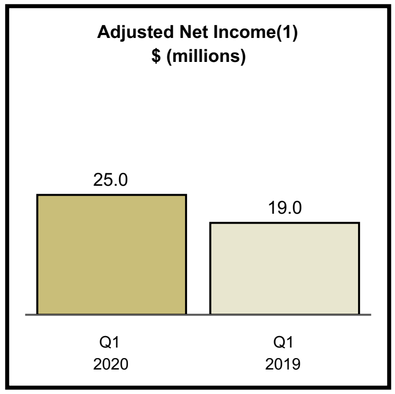
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three months ended March 31, 2020, the audited consolidated financial statements of Chorus for the year ended December 31, 2019, Chorus' 2019 annual MD&A dated February 12, 2020 and Chorus' 2019 Annual Information Form dated February 12, 2020. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of May 14, 2020.

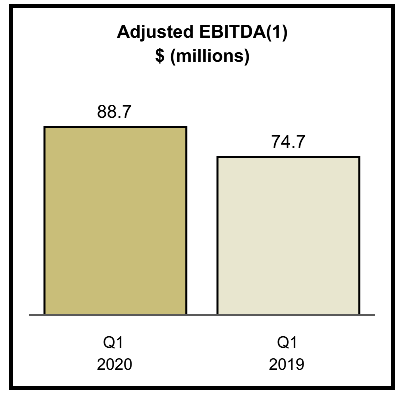
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

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

1 OVERVIEW







(1) These are non-GAAP financial measures. Refer to Section 18 – Non-GAAP Financial Measures.

Financial Highlights:

- Net loss of $17.3 million, or $(0.11) per basic Share, a quarter-over-quarter decrease of $50.7 million due to the change in unrealized foreign exchange of $55.1 million.
- Adjusted net income of $25.0 million, or $0.16 per basic Share, an increase of $6.0 million quarter-over-quarter due to the growth in the Regional Aircraft Leasing segment offset by a reduction in the Regional Aviation Services segment.
- Adjusted EBITDA of $88.7 million, an increase of $14.0 million quarter-over-quarter.

Chorus had Adjusted net income and Adjusted EBITDA growth in the first quarter due primarily to its Regional Aircraft Leasing segment that added 24 aircraft, versus the same quarter last year along with consistent earnings from the CPA contract.

The COVID-19 pandemic and associated government restrictions have created unprecedented challenges for the aviation industry due to strict travel restrictions and global cancellations impacting all airlines around the world. Even though Chorus' business model does not directly expose it to the market risks ordinarily faced by airlines, substantially all its source revenue is derived from airline customers, through the CPA and its leasing of aircraft to airline customers globally.

Chorus' Board of Directors and executive management team are focused on the safety of its employees and passengers, maximizing available liquidity and financial flexibility, strengthening relationships with Chorus' customers and mitigating costs.

Cash and Liquidity Enhancements:

As of March 31, 2020, Chorus had cash of $90.6 million inclusive of a $30.0 million draw from its $75.0 million committed facility with the opportunity to borrow up to a further $25.0 million on a demand basis. As of March 31, 2020, Chorus has provided letters of credit totaling $10.1 million that reduced the amount available under this facility.

On April 28, 2020, Chorus further strengthened its' liquidity by obtaining a US $100.0 million unsecured revolving credit facility for general corporate purposes, repayable in two years. When this facility is combined with its cash and other committed facilities, Chorus has liquidity of approximately $265.0 million.[1] (Refer to Section 8 - Capital Structure.)

Chorus is in the process of raising approximately US $30.0 to US $50.0 million in financing to be secured by up to four unencumbered aircraft in the first half of 2020. These financings are subject to the negotiation and execution of definitive agreements and the satisfaction of conditions precedent to closing. There can be no assurance that these conditions will be satisfied. (Refer to Section 24 - Caution regarding forward-looking information.)

Chorus also suspended all future dividend payments and the Dividend Reinvestment Plan ("DRIP") until further notice following the payment of the March 2020 dividend on April 17, 2020. This is estimated to save approximately $55.0 million in annual cash dividend payments, when taking into account a DRIP participation rate of 29%.

1 The liquidity of $265.0 million includes the US $100.0 million unsecured revolving credit facility. US dollars have been converted using a foreign exchange rate of $1.4187, the March 31, 2020 closing day rate from the Bank of Canada.

Measures Undertaken to Manage COVID-19 Risks:

Chorus' top priority is to ensure the health and safety of our employees and passengers and it has been engaged in COVID-19 response efforts since the early stages of the pandemic. Chorus has also implemented the following measures:

Regional Aviation Services:

- Jazz, in conjunction with Air Canada, has implemented second quarter network-wide capacity reductions of approximately 90% of Air Canada Express flying for April and May.
- Jazz has utilized the Canada Emergency Wage Subsidy ("CEWS") program which is minimizing temporary significant employee reductions and will also support business resumption plans.
- Voyageur has also utilized the CEWS program in an effort to minimize its temporary employee reductions as it deals with lower demand in its MRO operations and mission rotation issues.
- Jazz and Voyageur have reduced non-essential maintenance and other capital expenditures by approximately $15.0 million as a result of reduced flying and other business activity.

Regional Aircraft Leasing:

- CAC has implemented rent deferral arrangements for third-party lessees that provide short-term rent relief, typically between three and six months, with repayment over a subsequent period, typically between six and 24 months.
- CAC has obtained a deferral of principal and interest payments for certain aircraft loans until September 30, 2020 where the payment of the corresponding aircraft lease rents has been deferred.
- CAC has deferred the delivery of three A220-300s and reduced the commitment for one ATR72-600 previously planned in 2020.

Chorus has also implemented significant pay reductions for members of the executive management team and Board of Directors.

First Quarter Summary

In the first quarter of 2020, Chorus reported Adjusted EBITDA of $88.7 million, an increase of $14.0 million or 18.7% relative to the first quarter of 2019.

The Regional Aircraft Leasing segment's Adjusted EBITDA increased by $16.5 million primarily related to the growth in aircraft earning leasing revenue.

The Regional Aviation Services segment's Adjusted EBITDA decreased by $2.5 million. The first quarter results were impacted by:

- a reduction in other revenue due to a decrease in third-party maintenance, repair and overhaul revenue and reduced contract flying; and
- increased general administrative expenses; offset partially by
- decreased stock-based compensation of $2.6 million due to the change in the Share price inclusive of the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure); and
- increased aircraft leasing under the CPA.

Adjusted net income was $25.0 million for the quarter, an increase of $6.0 million due to:

- the $14.0 million increase in Adjusted EBITDA previously described;
- a change in realized foreign exchange losses and unrealized foreign exchange losses on working capital of $1.5 million; and
- a $0.9 million decrease in income tax expense resulting from a reduction in certain provincial tax rates and non-deductible expenses reduced by the increase in Adjusted EBT; partially offset by
- an increase in depreciation of $5.9 million primarily related to additional aircraft in the Regional Aircraft Leasing segment; and
- an increase in net interest costs of $4.5 million primarily related to additional aircraft debt in the Regional Aircraft Leasing segment.

Net income decreased $50.7 million due to the change in net unrealized foreign exchange losses on long-term debt of $55.1 million and increased employee separation program costs of $3.5 million offset by decreased signing bonuses of $2.0 million and the previously noted $6.0 million increase in Adjusted net income.

2 ABOUT CHORUS

Chorus' vision is to deliver regional aviation to the world. Headquartered in Halifax, Nova Scotia, Chorus comprises Chorus Aviation Capital, a leading lessor of regional aircraft to airlines around the world, and Jazz and Voyageur, companies that have long histories of safe flight operations with excellent customer service. Through its subsidiaries, Chorus provides a full suite of regional aviation support services that encompasses every stage of an aircraft's life-cycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, re-purposing and preparation; contract flying; and aircraft and component maintenance, disassembly, and parts provisioning.

Chorus groups its businesses into two reporting segments:

1) **Regional Aviation Services**: this segment includes all three sectors of the regional aviation industry in which Chorus currently operates. This segment also includes corporate expenses, such as interest expense on the 6.00% Debentures, the 5.75% Unsecured Debentures and the operating credit facility, executive and share-based compensation and professional fees.

   a) Contract flying: Chorus provides contract flying services, commonly referred to as "wet leasing" through two of its wholly-owned subsidiaries: Jazz and Voyageur.

      Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada through its scheduled services under the CPA with Air Canada than any other Canadian airline. Pursuant to the CPA, Jazz operates substantially all of its capacity on behalf of Air Canada under the Air Canada Express brand. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft, including revenue from passenger ticket sales and cargo services. Accordingly, Air Canada bears all of the market risk associated with fluctuations in those revenues. Jazz also operates charter flights for a variety of customers.

Voyageur provides specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

b) Aircraft leasing under the CPA: Jazz currently earns leasing revenue under the CPA from 53 aircraft and five spare engines. As a result of the 2019 CPA Amendments, Jazz also expected to begin earning leasing revenue from a further nine CRJ900s in 2020. Due to the COVID-19 pandemic, the leasing revenue forecast cannot be reasonably determined as Bombardier has temporarily halted its CRJ900 production. The 2019 CPA Amendments also contemplate that Chorus will acquire five additional 75-78 seat aircraft for operation by Jazz under the CPA in 2025. Voyageur also earns revenue from aircraft leasing.

c) Maintenance, repair and overhaul (MRO): part sales and technical services: Jazz through its Jazz Technical Services division provides 24/7 MRO services and is certified on Dash aircraft and CRJ aircraft products as well as Embraer 135 and 145 aircraft. Voyageur provides specialty, customized MRO services on Dash aircraft and CRJ aircraft products and is Transport Canada, Federal Aviation Administration and European Aviation Safety Agency certified. Capabilities also include technical advisory support as well as aircraft disassembly and parts provisioning and sales offering.

2) **Regional Aircraft Leasing**: Chorus provides aircraft leasing to third-party air operators, commonly referred to as "dry leasing", through its wholly-owned subsidiary, CAC. As of March 31, 2020, CAC's portfolio of leased aircraft consists of 59 aircraft of which 51 aircraft are on lease to airline customers comprising 18 Dash 8-400s, 19 ATR72-600s, four CRJ1000s, two CRJ900s, four E190s, two E195s and two A220-300s. CAC also owns eight aircraft that were previously on lease to Flybe Limited ("Flybe") as follows: five Dash 8-400s and three ATR72-600s. These aircraft are currently being repossessed and will be remarketed to other airlines.

Jazz earns revenue under the CPA in five ways:[1]

1. Fixed Margin

Jazz earns a Fixed Margin which has been set for 2020 as an aggregate amount irrespective of the number of Covered Aircraft and thereafter is based on the number of Covered Aircraft operated by Jazz under the CPA.

2. Performance Incentives

Jazz has the opportunity to earn Performance Incentives under the CPA for achieving certain performance targets in relation to controllable on-time performance, controllable flight completion, customers arriving with luggage and customer service.

3. Controllable Revenue

Jazz is paid Controllable Revenue rates based on Controllable Costs that are estimated using certain variables. Jazz's exposure to variances between the Controllable Revenue Jazz receives from Air Canada to cover annually negotiated Controllable Costs and Jazz's actual Controllable Costs incurred in performing its services for Air Canada is limited to $2.0 million annually (referred to as the "Controllable Cost Guardrail"). Controllable Revenue rates are set annually, and Jazz and Air Canada complete an annual reconciliation and payment once the variance, if any, between the Controllable Revenue paid by Air Canada and Jazz's actual Controllable Costs is determined. If Jazz's Controllable Costs exceed the revenue received from Air Canada by more than $2.0 million, Air Canada will pay to Jazz an amount equal to the excess over $2.0 million. Conversely, if the Controllable Revenue paid by Air Canada to Jazz exceeds Jazz's actual Controllable Costs by more than $2.0 million, Jazz will pay to Air Canada an amount equal to the excess over $2.0 million.

Controllable Costs include such costs as wages and benefits, certain depreciation and amortization, certain aircraft maintenance, materials and supplies, third-party operating leases, and other general overhead expenses, such as crew variable expense, professional fees, travel, and training. Substantially all the Controllable Costs are subject to the Controllable Cost Guardrail and related reconciliation.

4. Pass-Through Revenue

Jazz receives Pass-Through Revenue, which is based on Pass-Through Costs reimbursed by Air Canada.

Pass-Through Costs include airport and navigation fees, third-party ground handling, certain aircraft maintenance, materials and supplies, aircraft parking, interrupted trips and baggage delivery, station supplies for processing passengers, certain third-party facilities and capital expenditures incurred by Jazz at certain airports and hangar facilities. Jazz does not incur fuel or food and beverage costs related to CPA flying, as these are charged directly to Air Canada.

5. Aircraft leasing under the CPA

Jazz earns aircraft leasing revenue under the CPA from the following owned assets: 34 Dash 8-400s, five CRJ900s, 14 Dash 8-300s and five spare engines. Jazz is investing in the Extended Service Program for the Dash 8-300s it owns, and as the life extensions are completed the aircraft start to earn aircraft leasing revenue under the CPA. Jazz plans to complete the ESP on an additional two Dash 8-300s in 2020, with an additional two anticipated for completion by the end of 2022. Once Jazz has completed the ESP on all of its Dash 8-300s, Jazz will have a total of 18 Dash 8-300s earning leasing revenue under the CPA (refer to Section 4 - Outlook).

Over the 16 year remaining term of the CPA from January 1, 2020, a minimum of $1.5 billion in aircraft leasing revenue is expected to be generated, accounting for approximately 65% of the total minimum revenues (leasing revenue plus fixed fees), anticipated over the remaining term. The revenue estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA. A foreign exchange rate of $1.3000 was used in the calculation of the estimates. Refer to Section 24 - Caution regarding forward-looking information.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs - which are offset by Controllable Revenue (see discussion above).
2) Pass-Through Costs - which are offset by Pass-Through Revenue (see discussion above).

Aircraft fleet under the CPA

From January 1, 2020 through December 31, 2025, Jazz will continue to gradually reduce to the minimum number of Covered Aircraft of 105. The composition of the fleet of Covered Aircraft during 2020, may vary to accommodate an agreed upon transition plan. From January 1, 2026 through December 31, 2035, Air Canada will determine the composition of the fleet of Covered Aircraft on the condition that the fleet must have a minimum of 80 aircraft with 75-78 seats.

[1] Refer to Section 24 - Caution regarding forward-looking information.

3 STRATEGY

Chorus' collaborative long-term partnership with Air Canada and its diversified aircraft leasing portfolio, along with its specialty MRO and contract flying capabilities gives it unique capabilities to transition aircraft. While Chorus is not immune to the challenges facing the airline industry; the work completed in the last few years to solidify the CPA and diversify the business has made Chorus stronger to manage through this challenging period.

Chorus' long-term strategy remains focused on providing an integrated and comprehensive suite of regional aviation services, including aircraft leasing and support services, to customers around the world by drawing on Chorus' expertise in all areas of regional aviation operations.

Chorus' business was founded on the CPA, a contract pursuant to which Jazz provides substantially all of its capacity to Air Canada in order to operate regional airline services under the Air Canada Express brand. The CPA was most recently amended and extended effective January 1, 2019 and has a term expiring on December 31, 2035. Prior to the impact of COVID-19, Chorus provided approximately 80% of the Air Canada Express network capacity.

Under the CPA, Air Canada manages all commercial aspects of the Air Canada Express operation and assumes the related risks, including ticket prices and passenger demand. Costs such as fuel, navigation fees, airport landing and terminal fees are all borne by Air Canada. The risk of erosion to Chorus' profit margin under the CPA is minimized by the +/- $2.0 million Controllable Cost Guardrail, combined with the minimum fleet and aircraft leasing commitments to 2035 with opportunities for growth.

Chorus takes a process-driven approach to building its leasing business and utilizes several risk mitigation strategies that analyze the risks associated with a potential aircraft transaction. Risk mitigation is employed throughout an aircraft leasing transaction by ensuring, wherever possible, the following:

- on a portfolio basis, Chorus' strategy is to ensure the majority of the aircraft debt is paid within the term of the first lease;
- the economics of the transaction are preserved by swapping variable rate debt to fixed interest rates or by aligning lease rates with changes in variable interest rates;
- aircraft leases and the associated debt are denominated in the same currency thus reducing foreign exchange risk to a minimum; and
- aircraft residual value risk is mitigated through careful consideration as to the aircraft types acquired, limiting aircraft type concentration and maintaining a diversified customer base operating in various geographic locations.

The Chorus team is highly experienced in managing every stage of a regional aircraft's life-cycle, and in every technical facet of the regional aviation operations. Chorus offers a full suite of flying operations, including special mission services, maintenance, repair and overhaul modifications, and parts provisioning to regional aircraft owners and operators around the world. These capabilities differentiate Chorus from its competition.

Given the COVID-19 crisis all committed transactions have been delayed with the exception of two pending ATR72-600s deliveries for lease. The nine CRJ900s due for delivery in the Regional Aviation Services segment have been delayed until such time as Bombardier is able to re-open its manufacturing facilities and deliver the aircraft. A date for these deliveries cannot be reasonably determined at this time. The following table reflects Chorus' committed transactions which have been announced to date by customer and aircraft type.

(unaudited)		Turboprops			Regional Jets			
Segment and customer	Aircraft committed	Dash 8-300	Dash 8-400	ATR	A220-300	CRJ	Embraer	75-78 seat aircraft[1]
Regional Aircraft Leasing								
Aeromexico	3						✓	
Air Nostrum	4					✓		
airBaltic	5				✓			
Azul Airlines[2]	5			✓			✓	
CityJet[3]	2					✓		
Croatia Airlines	2		✓					
Ethiopian Airlines	5		✓					
Flybe[4]	—							
Indigo	8			✓				
Jambojet	3		✓					
KLM Cityhopper	1						✓	
Malindo Air	4			✓				
Philippine Airlines	3		✓					
SpiceJet	5		✓					
Virgin Australia[5]	3			✓				
Wings Air	1			✓				
Undisclosed customer	2			✓				
Under current lease	56	—	18	21	5	6	6	—
Aircraft to be remarketed	8		5	3				
	64	—	23	24	5	6	6	—
Regional Aviation Services[6]	71	18	34	—	—	14	—	5
Total	135	18	57	24	5	20	6	5

(1) Aircraft Leasing under the CPA includes five 75-78 seat aircraft type anticipated to be added in 2025.
(2) Azul Airlines aircraft breakdown: three ATRs and two Embraers.
(3) On April 17, 2020, CityJet entered an examinership process in Ireland.
(4) On March 5, 2020, Flybe was placed in administration.
(5) On April 20, 2020, Virgin Australia entered into voluntary administration.
(6) The Regional Aviation Services segment includes only the Covered Aircraft leased under the CPA fleet.

4 OUTLOOK

The discussion that follows includes forward-looking information. This outlook is provided for the purpose of providing information about current expectations for 2020 and beyond. This information may not be appropriate for other purposes. (Refer to Section 24 - Caution regarding forward-looking information.)

The COVID-19 pandemic and resulting government restrictions have created unprecedented challenges for the aviation industry due to strict travel restrictions and global cancellations impacting all airlines around the world. Even though Chorus' business model does not directly expose it to the market risks ordinarily faced by airlines, substantially all its source revenue is derived from airline customers, through its CPA and its leasing of aircraft to airline customers globally. The full extent of the duration and therefore the impact of this pandemic are unknown.

Regional Aviation Services:

Chorus is working with its main customer and partner, Air Canada, which has implemented a second quarter network-wide capacity reduction of approximately 90%. As a result, Chorus' Air Canada Express flying has been reduced by approximately 90% for April and May, resulting in significant temporary employee reductions. Jazz has utilized the CEWS program to mitigate employee reductions and costs.

In accordance with the CPA, the Fixed Margin does not vary with the number of aircraft and is fixed for 2020 based on agreed annual amounts.

Chorus estimates the Controllable Cost Guardrail receivable from Air Canada could increase between $20.0 million and $40.0 million by the end of 2020 due to the uncertainty surrounding the required flying schedule.

With the shutdown of its production line, Bombardier has notified Chorus of a delay in the production of its order of nine CRJ900s that were originally scheduled for delivery in 2020. As such, Chorus expects a corresponding delay in anticipated leasing revenue under the CPA for these aircraft. No timeline has been provided for the future delivery of these aircraft.

Voyageur is experiencing continued demand overseas to support humanitarian efforts, contracted flying for cargo services, and there has been no interruption to the air ambulance operation in New Brunswick. Voyageur's MRO operation is currently experiencing lower demand in servicing essential aviation customers due to the impacts of COVID-19. Voyageur, which currently represents less than 10% of Chorus' consolidated revenue and net income, is engaged in specialty contract flying, primarily for international organizations engaged in humanitarian missions, and specialty MRO and parts sales.

Regional Aircraft Leasing:

Given the market uncertainty with COVID-19, Chorus' intention to grow its third-party leasing business by approximately 20 aircraft per year has been delayed.

Chorus has received requests from substantially all of its Regional Aircraft Leasing segment customers for some form of temporary rent relief, as they cope with an unprecedented reduction in demand. The period of relief most commonly spans three to six months with repayment terms between six to 24 months. Chorus has received approximately 25% of its contractual lease payments from its lessees for the month of April. While Chorus expects the industry, and especially the regional aviation sector, to eventually recover, these deferrals are estimated to increase Chorus' trade receivables to be between $40.0 million and $60.0 million at its peak over the next two quarters. Consistent with market norms, these leases are generally for a fixed term, contain an absolute payment obligation on the part of the lessee, and cannot be terminated early for convenience.

On March 5, 2020, Flybe ceased operating and was placed in administration. Chorus had three ATR72-600s and five Dash 8-400s on lease to Flybe with remaining lease terms between two and four years. Chorus recorded an impairment on three ATR72-600s on lease to Flybe of $5.9 million to operating revenue. This impairment was offset by Chorus' recovery of its security package which was also recorded to operating revenue resulting in a net gain of $0.1 million. There was no impairment recorded on the five Dash 8-400s. As at March 31, 2020, Chorus' long-term debt was US $35.7 million for the three ATR72-600s and US $26.8 million for the five Dash 8-400s. Chorus has until March 2022 to remarket the ATR72-600s and until September 2020 to remarket the five Dash 8-400s, failing which Chorus may be required to repay the debt outstanding on the aircraft.

On April 17, 2020, CityJet entered an examinership process in Ireland. Chorus leases two CRJ900s to CityJet and holds security deposits in respect of these aircraft. The average remaining lease terms for these aircraft is eight years. As at March 31, 2020, Chorus' long-term debt related to these aircraft was US $29.6 million. The aircraft currently remain under lease with CityJet during the examinership. Chorus will have 24 months to remarket the aircraft in the event the aircraft leases are terminated, failing which Chorus may be required to repay the debt outstanding on the aircraft.

On April 20, 2020, Virgin Australia entered into voluntary administration. Chorus leases three ATR72-600s to Virgin Australia and holds security deposits in respect of these aircraft. The average remaining lease terms for these aircraft is four years. As at March 31, 2020, Chorus' long-term debt related to these aircraft was US $28.5 million. The aircraft currently remain under lease with Virgin Australia during the administration. Chorus will have 24 months to remarket the aircraft in the event the aircraft leases are terminated, failing which Chorus may be required to repay the debt outstanding on the aircraft.

Lease revenue for Flybe, CityJet and Virgin Australia was approximately US $5.6 million per quarter.

The following table provides the number of closed and pending and/or delayed transactions announced to-date:

(unaudited) (expressed in millions of US dollars, except number of aircraft)	Completed Transactions			Pending/Delayed Transactions[1]		Committed Transactions		
Customer	**2016 - Q4 2019**	**Q1 2020**	**Total**	**Q2 2020**	**Q3 2020 and thereafter**	**2016 - Q4 2019**	**Increase (Decrease)**	**Total 2016 - 2020[2]**
Aeromexico	3		3			3		3
Air Nostrum	4		4			4		4
airBaltic	2		2		3	5		5
Azul Airlines	5		5			5		5
CityJet[3]	2		2			2		2
Croatia Airlines	2		2			2		2
Ethiopian Airlines	5		5			5		5
Flybe[4]	8	(8)	—			8	(8)	—
Indigo	8		8			8		8
Jambojet	4	(1)	3			4	(1)	3
KLM Cityhopper	1		1			1		1
Malindo Air	4		4			4		4
Philippine Airlines	3		3			3		3
SpiceJet	5		5			5		5
Virgin Australia[5]	3		3			3		3
Wings Air	1		1			2	(1)	1
Undisclosed customer	—		—	2		—	2	2
Aircraft to be remarketed[4]		**8**	**8**				**8**	**8**
Total Regional Aircraft Leasing	**60**	**(1)**	**59**	**2**	**3**	**64**	**—**	**64**
Total Regional Aviation Services[6]	**52**	**1**	**53**	**—**	**18**	**71**	**—**	**71**
Chorus Total Aircraft	**112**	**—**	**112**	**2**	**21**	**135**	**—**	**135**

(1) As of May 14, 2020, there were 64 committed aircraft in the Regional Aircraft Leasing segment. Due to the impact of COVID-19 on the airline industry, three of these committed aircraft which were previously planned for 2020 have been delayed. A date for these deliveries cannot be reasonably determined at this time. All pending and delayed transactions and lease commitments are subject to satisfaction of customary conditions precedent to closing including financing.
(2) Total announced transactions as of May 14, 2020.
(3) On April 17, 2020, CityJet entered an examinership process in Ireland.
(4) On March 5, 2020, Flybe was placed in administration.
(5) On April 20, 2020, Virgin Australia entered into voluntary administration.
(6) The Regional Aviation Services segment's commitments include the following pending and delayed transactions: nine CRJ900s, four Dash 8-300s that will undergo the ESP planned for between 2020 - 2022, and five 75-78 seat aircraft, all of which will earn leasing revenue under the CPA. All pending acquisitions and lease commitments are subject to satisfaction of customary conditions precedent to closing including financing.

Capital expenditures in 2020, including capitalized major maintenance overhauls but excluding expenditures for the acquisition of aircraft and the ESP, are expected to be between $23.0 million and $29.0 million. Aircraft related acquisitions and ESP capital expenditures in 2020 are expected to be between $349.0 million and $355.0 million.[1]

As a result of the COVID-19 outbreak, the previously planned delivery of three A220-300s has been delayed and the commitment of one ATR72-600 has now been converted to an option, reducing the planned 2020 capital expenditures that was previously provided in Chorus' 2019 annual MD&A dated February 12, 2020.

		Actual	
(unaudited) *(expressed in thousands of Canadian dollars)*	**Planned 2020(1)** **$**	**Three months ended March 31, 2020** **$**	**Year ended December 31, 2019** **$**
Capital expenditures, excluding aircraft acquisitions and ESP	16,000 to 19,000	3,507	31,547
Capitalized major maintenance overhauls	7,000 to 10,000	3,952	14,444
Aircraft related acquisitions and ESP	349,000 to 355,000	2,526	829,710
	372,000 to 384,000	9,985	875,701

(1) The 2020 plan includes three ESPs and nine CRJ900s in the Regional Aviation Services segment as well as two ATR72-600s for the Regional Aircraft Leasing segment all of which have been converted using a foreign exchange rate of $1.4187, the March 31, 2020 closing day rate from the Bank of Canada. It excludes any potential additional investments in third-party aircraft, beyond these already committed. All pending acquisitions and lease commitments are subject to satisfaction of customary conditions precedent to closing.

5 FLEET

The following table provides the total number of aircraft in Chorus' fleet as at March 31, 2020 and December 31, 2019.

(unaudited)	December 31, 2019	2020 Fleet Changes			March 31, 2020	Owned
		Additions	Removals	Transfers		
Regional Aircraft Leasing						
Third-Party Leased Aircraft						
CRJ900s	2	—	—	—	2	2
CRJ1000s	4	—	—	—	4	4
Dash 8-400s	24	—	—	(1)	23	23
E190s	4	—	—	—	4	4
E195s	2	—	—	—	2	2
ATR72-600s	22	—	—	—	22	22
A220-300s	2	—	—	—	2	2
Total Regional Aircraft Leasing	60	—	—	(1)	59	59
Regional Aviation Services						
Covered Aircraft Leased Under the CPA						
Dash 8-400s	34	—	—	—	34	34
CRJ900s	5	—	—	—	5	5
Dash 8-300s	13	—	—	1	14	14
	52	—	—	1	53	53
Other Covered Aircraft						
CRJ200s	17	2	—	—	19	—
CRJ900s	21	—	—	—	21	—
Dash 8-100s	6	—	—	—	6	6
Dash 8-300s(1)	10	—	—	(1)	9	5
Dash 8-400s	10	—	—	—	10	—
Total Other Covered Aircraft	64	2	—	(1)	65	11
Jazz Charter Aircraft						
Dash 8-300s	1	—	—	—	1	1
Total Jazz Charter Aircraft	1	—	—	—	1	1
Voyageur Aircraft						
CRJ200s	7	—	—	—	7	7
King Air 200s	2	—	—	—	2	2
Dash 8-100s(2)	5	—	—	—	5	5
Dash 8-300s(3)	6	—	—	—	6	6
Total Voyageur Aircraft	20	—	—	—	20	20
Non-Operational Aircraft						
Dash 8-100s	16	—	(4)	—	12	12
Dash 8-400s	—	—	—	1	1	1
Total Non-Operational Aircraft	16	—	(4)	1	13	13
Total Regional Aviation Services	153	2	(4)	1	152	98
Total Aircraft	213	2	(4)	—	211	157

(1) One aircraft underwent ESPs and moved to Covered Aircraft leased under the CPA.
(2) Includes three aircraft leased to a third party.
(3) Includes one aircraft leased to a third party.

6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. It focuses on Chorus' consolidated operating results and provides financial information for Chorus' operating segments. For further discussion and analysis of Chorus' business segments, refer to Section 7 - Segmented Analysis.

	Three months ended March 31,			
(unaudited) *(expressed in thousands of Canadian dollars)*	**2020** $	**2019** $	**Change** $	**Change** %
Operating revenue	350,041	343,867	6,174	1.8
Operating expenses	303,349	303,748	(399)	(0.1)
Operating income	46,692	40,119	6,573	16.4
Net interest expense	(20,207)	(15,741)	(4,466)	(28.4)
Foreign exchange (loss) gain	(39,432)	14,250	(53,682)	376.7
Other gain(1)	16	36	(20)	(55.6)
(Loss) earnings before income tax	(12,931)	38,664	(51,595)	(133.4)
Income tax expense	(4,363)	(5,217)	854	16.4
Net (loss) income	(17,294)	33,447	(50,741)	(151.7)
Adjusted EBITDA(2)	88,690	74,724	13,966	18.7
Adjusted EBT(2)	29,348	24,266	5,082	20.9
Adjusted net income(2)	24,985	19,049	5,936	31.2

(1) Other includes gain on disposal of property and equipment.
(2) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

For the three months ended March 31, 2020, consolidated operating revenue increased 1.8%, compared to the same period last year.

The increase in revenue for the three months ended March 31, 2020 over the comparative period was attributable to the significant increase in aircraft under lease in the Regional Aircraft Leasing segment. This increase was partially offset by a decrease in revenue in the Regional Aviation Services segment related to the decline in Controllable Revenue, Pass-Through Revenue and other revenue due to decreased third-party maintenance, repair and overhaul revenue and reduced contract flying.

Operating expenses were primarily unchanged for the three months ended March 31, 2020 compared to the same period last year with the decreases attributable to lower stock-based compensation, decreased engine overhaul maintenance events and decreased Pass-Through Costs in the Regional Aviation Services segment; offset by higher depreciation due to the growth in the Regional Aircraft Leasing segment.

Net interest expense increased 28.4% for the three months ended March 31, 2020 compared to the same period last year due to additional long-term borrowings related to aircraft purchases throughout 2019 in the Regional Aircraft Leasing segment, partially offset by a decrease in the Regional Aviation Services segment's interest expense due to amortizing debt balances.

Foreign exchange increased for the three months ended March 31, 2020 compared to the same period last year primarily related to the change in unrealized foreign exchange on long-term debt of $55.1 million in the Regional

Aviation Services segment. The Regional Aviation Services segment manages the majority of 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 losses/gains on long-term debt and lease liability do not materially affect current or future cash flows. The Regional Aircraft Leasing segment's functional currency is the US dollar.

Income taxes decreased for the three months ended March 31, 2020 compared to the same period last year. The decrease was primarily due to a reduction in certain provincial tax rates and non-deductible expenses offset by an increase in Adjusted EBT.

7 SEGMENTED ANALYSIS

Information regarding the financial results of each reportable operating segment is as follows:

	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
(unaudited) *(in thousands of Canadian dollars)*	Regional Aviation Services $	Regional Aircraft Leasing $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Total $
Operating revenue	307,836	42,205	350,041	317,994	25,873	343,867
Operating expenses	282,835	20,514	303,349	290,636	13,112	303,748
Operating income	25,001	21,691	46,692	27,358	12,761	40,119
Net interest expense	(8,772)	(11,435)	(20,207)	(8,952)	(6,789)	(15,741)
Foreign exchange (loss) gain	(38,981)	(451)	(39,432)	14,406	(156)	14,250
Other gain(1)	16	—	16	36	—	36
(Loss) earnings before income tax	(22,736)	9,805	(12,931)	32,848	5,816	38,664
Income tax expense	(2,853)	(1,510)	(4,363)	(4,509)	(708)	(5,217)
Net (loss) income	**(25,589)**	**8,295**	**(17,294)**	**28,339**	**5,108**	**33,447**
Operating income	25,001	21,691	46,692	27,358	12,761	40,119
Depreciation and amortization(2)	21,292	16,823	38,115	23,041	9,209	32,250
Employee separation(2)	3,883	—	3,883	355	—	355
Signing bonus(2)	—	—	—	2,000	—	2,000
Adjusted EBITDA(3)	**50,176**	**38,514**	**88,690**	**52,754**	**21,970**	**74,724**
(Loss) earnings before income tax	(22,736)	9,805	(12,931)	32,848	5,816	38,664
Unrealized foreign exchange loss (gain)	37,554	842	38,396	(16,753)	—	(16,753)
Employee separation program(2)	3,883	—	3,883	355	—	355
Signing bonus(2)	—	—	—	2,000	—	2,000
Adjusted EBT(3)	**18,701**	**10,647**	**29,348**	**18,450**	**5,816**	**24,266**

(1) Other includes gain on disposal of property and equipment.
(2) Included in operating expenses.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

The Regional Aviation Services segment reported first quarter operating income of $25.0 million, a decrease of $2.4 million compared to the same period last year.

The results for the quarter were impacted by:

- a reduction in other revenue due to a decrease in third-party maintenance, repair and overhaul revenue and reduced contract flying;
- increased general administrative expenses; and
- increased employee separation program costs; offset by
- decreased stock-based compensation of $2.6 million due to the change in the Share price inclusive of the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure);
- decreased signing bonuses as a result of collective agreement changes of $2.0 million; and
- increased aircraft leasing under the CPA attributable to additional revenue earned from 14 Dash 8-300s in 2020 versus revenue earned on eight Dash 8-300s in 2019.

Non-Operating Expenses

The weakening of the Canadian dollar versus the US dollar resulted in foreign exchange losses versus foreign exchange gains quarter-over-quarter. These losses/gains are primarily unrealized and are related to US dollar loans, but also includes foreign exchange on working capital. 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 losses/gains on long-term debt and lease liabilities do not materially affect current or future cash flows.

Adjusted EBITDA

Adjusted EBITDA decreased $2.5 million for the three months ended March 31, 2020 compared to the same period last year due to:

- decreased operating income described above excluding depreciation expense; and
- increased employee separation program costs; offset by
- decreased signing bonuses.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 53 aircraft and five spare engines
- Future committed aircraft of nine CRJ900s,[1] four ESPs between 2020 and 2022 and five 75-78 seat aircraft anticipated to be delivered in 2025
- Current net book value of $840.9 million[2]
- Approximately $1,493.2 million in future contracted lease revenue[3,4]
- Current weighted average fleet age of 7.8 years[2,5]
- Current weighted average remaining lease term of 8.1 years[2,5]
- 100% debt is fixed rate or hedged with swap
- Current weighted average cost of borrowing of 3.59%

1 Bombardier has notified Chorus of a temporary delay in the production of its order of nine CRJ900s that were originally scheduled for delivery in 2020. No timeline has been provided for the future delivery of these aircraft.

2 This includes only the 53 aircraft and five spare engines.

3 The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA as at January 1, 2019. A foreign exchange rate of $1.3000 (based on the long-term average historical rate which is reviewed and adjusted annually) was used in the calculation of the estimates.

4 Refer to Section 24 - Caution regarding forward-looking information.

5 Fleet age and remaining lease term is calculated based on the weighted-average of the aircraft net book value.

Regional Aircraft Leasing Analysis

Operating Income

Operating income increased by $8.9 million for the three months ended March 31, 2020 compared to prior period primarily due to:

- increased revenue due to the growth in additional aircraft on lease, earned from the equivalent of 59 aircraft for the three months ended March 31, 2020 (2019 - 31), offset by:
- increased depreciation expense as a result of additional aircraft.

On March 5, 2020, Flybe ceased operations and was placed in administration. Chorus had three ATR72-600s and five Dash 8-400s on lease to Flybe which had remaining lease terms between two and four years. Chorus recorded an impairment on three ATR72-600s on lease to Flybe of $5.9 million to operating revenue. This impairment was offset by Chorus' recovery of its security package which was also recorded to operating revenue resulting in a net gain of $0.1 million. There was no impairment recorded on the five Dash 8-400s.

Non-Operating Expenses

Net interest expense increased period-over-period due to the increase in the number of aircraft being financed.

Adjusted EBT

Adjusted EBT increased 83.1% for the three months ended March 31, 2020 primarily due to the growth in additional aircraft on lease.

Portfolio

Committed Fleet[1]

- Committed fleet of 64 aircraft, including the eight Flybe aircraft to be remarketed[1]
- Approximately US $1.4 billion aircraft portfolio[1,3]
- Approximately US $895.0 million in future contracted lease revenue[1,3]

Current Fleet *(as at March 31, 2020)*

- Current weighted average fleet age of 3.3 years[2]
- The Regional Aircraft Leasing segment has limited net exposure to changes in the interest rates due to its debt and contract terms of 96.1% fixed rate debt (inclusive of floating rate debt that is fixed through the use of swaps) and the remaining 3.9% floating rate debt (the majority of which have leases that float on the same basis as the debt)
- Current weighted average cost of borrowing of 4.10%[4]

1 Includes all aircraft which have been delivered as well as pending acquisitions and future deliveries for which CAC has received lease commitments.
2 Fleet age is calculated based on the weighted-average of aircraft net book value, excluding the eight aircraft to be remarketed.
3 Refer to Section 24 - Caution regarding forward-looking information.
4 Reflects actual borrowings as at March 31, 2020 only.

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily of a combination of equity consisting of Shares and debt consisting of the 6.00% Debentures, the 5.75% Unsecured Debentures, senior secured amortizing facilities, revolving loan facilities and lease liabilities.

Chorus' objective when managing its capital structure is to maintain adequate liquidity and flexibility, while obtaining the lowest cost of capital available. It manages foreign exchange and interest rate risk in its capital structure by borrowing when appropriate in currencies other than the Canadian dollar to align with underlying revenue streams and fixing interest rates on its debt.

Chorus uses debt to lower its cost of capital. The amount of debt available to Chorus is a function of earnings and/ or equity, tangible asset backing, ability to service the debt and market accepted norms for businesses in this sector.

Chorus maintains flexibility in its capital structure by regularly reviewing forecasts, multi-year business plans and making any required changes to its debt and equity facilities on a proactive basis. These changes can include issuing or repurchasing equity, issuing new secured or unsecured debt, modifying the term of existing debt facilities or repaying existing debt from surplus cash or proceeds from the sale of surplus assets.

Chorus' capital structure was as follows as at March 31, 2020 and December 31, 2019.

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2020 $**	**December 31 2019 $**	**Change $**
Equity			
Capital	286,957	281,849	5,108
Contributed surplus	1,039,832	1,039,832	—
Deficit	(752,613)	(716,036)	(36,577)
Exchange differences on foreign operations	31,705	(3,633)	35,338
Equity component of Convertible Units	2,981	2,981	—
	608,862	604,993	3,869
Long-term debt	1,947,963	1,823,130	124,833
Lease liabilities	15,712	16,316	(604)
Total capital	2,572,537	2,444,439	128,098

As at May 7, 2020 and December 31, 2019, the issued and outstanding Shares of Chorus were as follows:

(unaudited)	**May 7, 2020**	**December 31, 2019**
Total issued and outstanding Shares	161,867,388	160,450,995
Shares potentially issuable Stock-based compensation plans and warrants	3,225,999	3,081,590
Total outstanding and potentially dilutive Shares	165,093,387	163,532,585

In addition, up to 24,242,424 Shares are issuable at an exercise price of $8.25 upon the exercise of the Warrants. Furthermore, Shares are issuable to participants in the Corporation's DRIP (as defined below) each time a dividend is declared and paid on the Shares.

In December 2019, Chorus raised gross proceeds of $86.3 million from the issuance of the 5.75% Unsecured Debentures. Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the terms of the indenture governing the 5.75% Unsecured Debentures, Chorus has the option to satisfy its obligation to pay the principal amount of the 5.75% Unsecured Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradable Shares. The 5.75% Unsecured Debentures are not convertible by the holders thereof into Shares at any time.

Dividend Reinvestment Plan ("DRIP")

On April 6, 2020 Chorus announced the suspension of its DRIP following payment of the previously declared dividend payable on April 17, 2020.

Chorus had implemented the DRIP effective February 1, 2018, to provide Shareholders who are resident in Canada the opportunity to purchase additional Shares using cash dividends paid on Shares enrolled in the DRIP. All Shares purchased under the DRIP were newly issued by the Corporation from treasury, and the proceeds received by the Corporation were used for general corporate purposes.

The price for Shares purchased under the DRIP was equal to 100% of the average market price; however, the Corporation had the option, from time to time, to offer a discount of up to 5% from the average market price for Shares purchased under the DRIP. As of March 31, 2020, Chorus offered a 4% discount.

During the three months ended March 31, 2020, 909,006 Shares were issued under the DRIP at a weighted average price of $6.06 per Share. As at April 17, 2020, the Corporation had issued 5,791,876 Shares under the DRIP since inception.

Long-term debt

Long-term debt consists of the following:

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2020** **$**	**December 31, 2019** **$**
Secured long-term debt and revolving credit facility		
Amortizing term loans		
Secured by aircraft	1,471,507	1,389,286
Secured by engines	9,297	8,900
Revolving credit facility	162,757	150,944
Secured by office building	8,000	8,000
Operating credit facility	30,000	—
6.0% Debentures	200,000	200,000
	1,881,561	1,757,130
Unsecured long-term debt		
5.75% Unsecured Debentures	86,250	86,250
	1,967,811	1,843,380
Less:		
Deferred financing fees	(17,820)	(18,131)
Accretion discount on Convertible Units	(2,028)	(2,119)
	1,947,963	1,823,130
Current portion(1)	181,189	164,554
	1,766,774	1,658,576

(1) The current portion of long-term debt in the above table includes deferred financing fees of $3.4 million for the period ended March 31, 2020 (December 31, 2019 - $2.9 million).

The principal attributes of Chorus' long-term debt facilities are summarized below. For full details, of the terms of the 6.0% Debentures, the Warrants, the 5.75% Unsecured Debentures and the operating credit facility, please refer to the relevant agreements and indentures which are available on SEDAR at www.sedar.com.

Amortizing term loans

Chorus' aircraft amortizing term loans are repayable in instalments, bearing fixed, floating, and floating interest fixed via swap agreements, at a weighted average rate of 3.85%, maturing between June 2021 and December 2031, each secured primarily by the aircraft and engines financed by the loans, as well as an assignment of any leases in respect thereof.

On March 5, 2020, Flybe ceased operating and was placed in administration. Chorus had three ATR72-600s and five Dash 8-400s on lease to Flybe. As at March 31, 2020, long-term debt was US $35.7 million for the three ATR72-600s and US $26.8 million for the five Dash 8-400s. Chorus has until March 2022 to remarket the ATR72-600s and until September 2020 to remarket the five Dash 8-400s, failing which Chorus may be required to repay the debt outstanding on the aircraft.

The engine loans are repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.34%, maturing between February 2022 and May 2028, each secured primarily by one PW150A engine.

Chorus' revolving credit facility for aircraft acquisitions includes a series of term loans repayable in instalments, bearing floating interest fixed via swap agreements at a weighted average rate of 3.67%, amortizing to January 2025, each secured primarily by the aircraft financed by the loans and a security assignment of the leases in respect thereof. To the extent these loans are repaid during the revolving period, Chorus may re-draw on this facility. Floating interest rates have been fixed via swap agreements on a portfolio basis related to these loans at a weighted average rate of 4.63%.

Chorus has an office building loan that is repayable in annual instalments of $1.0 million, bearing interest at a fixed rate of 3.33%, and matures 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.

Financial Covenants under amortizing term loans

A description of the principal financial covenants in Chorus' debt agreements is set out below:

Amortizing term loans have covenants which apply separately to the "Jazz Group" (comprising Jazz and Jazz Leasing Inc. and any entity controlled directly or indirectly by either of them), Voyageur and subsidiaries of CACC (which hold aircraft acquired for lease to customers outside of Chorus).

- The Jazz Group is required to maintain a maximum adjusted leverage and a minimum adjusted interest debt coverage ratio. The financing agreements with the lender also contain a covenant respecting the continuation of business under the CPA which is specific to Jazz as the operator of the financed Dash 8-400s, Dash 8-400 spare engines, and CRJ900s. Furthermore, the loans may become immediately repayable if Jazz undergoes a change of control without the lender's consent (however, a change of control of the Corporation is deemed not to be a change of control of Jazz for purposes of these financing agreements so long as the Corporation's Shares are publicly traded).

- Voyageur is required to maintain prescribed liquidity levels.

- Subsidiaries of CACC have entered into financing agreements in connection with the acquisition of aircraft. CACC, CACIL and/or Jazz Leasing have guaranteed the indebtedness under a substantial number of these financing agreements. Under the terms of those financing agreements, the guarantors and/or the borrowers are required to maintain a minimum tangible net worth, observe a maximum consolidated total debt to tangible net worth ratio, observe debt-to-equity covenants, maintain a minimum cash balance, maintain minimum lease rent coverage ratios and/or refrain from paying dividends or other distributions if the debt covenants are breached. Furthermore, the indebtedness under certain of these financing agreements is cross-defaulted to payment defaults by Jazz Leasing under facilities under which Jazz Leasing is the borrower.

As at March 31, 2020, Chorus was in compliance with all of these financial covenants.

Convertible Units

In December 2016, Chorus entered into a subscription agreement with Fairfax for an investment of $200.0 million in Chorus through a private placement of Convertible Units. In March 2017, Chorus received the funds from the investment, with the net proceeds after deduction of expenses being approximately $196.0 million.

The 6.00% Debentures bear interest at a rate of 6.00% per annum, are currently secured by certain Dash 8-100s and Dash 8-300s and real estate property owned by Chorus (the "Collateral Security"), mature on December 31, 2024 and are redeemable at par at any time after December 31, 2021, except in the event of the satisfaction of certain conditions after a change of control (in which case Chorus may be required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Warrants.

Each Warrant is exercisable by the holder thereof by paying the exercise price in cash or by tendering the 6.00% Debentures. Except in certain circumstances relating to a change of control of Chorus, the Warrants are exercisable up to and including the earlier of the redemption of the 6.00% Debentures by Chorus and the business day immediately preceding the maturity date of the 6.00% Debentures. The Warrants also include customary anti-dilution provisions.

Assuming the exercise of all of the Warrants, Fairfax, through its subsidiaries, would beneficially own 24,242,424 of the issued and outstanding Shares of Chorus. Fairfax had agreed to hold the Convertible Units until at least December 31, 2019. Fairfax is no longer bound by that restriction, however, the Collateral Security will be released if Fairfax sells or otherwise disposes of any of the Convertible Units.

The 6.00% Debentures are listed on the TSX under the symbol CHR.DB.

5.75% Unsecured Debentures

In December 2019, Chorus issued $86.3 million aggregate principal amount 5.75% Unsecured Debentures which bear interest at a rate of 5.75% per annum, and mature on December 31, 2024.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the terms of the indenture governing the 5.75% Unsecured Debentures, Chorus has the option to satisfy its obligation to pay the principal amount of the 5.75% Unsecured Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradable Shares. The 5.75% Unsecured Debentures are not convertible by the holders thereof into Shares at any time.

Chorus received proceeds of $82.4 million, net of $3.9 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the 5.75% Unsecured Debentures and amortized over the life of the 5.75% Unsecured Debentures using the effective interest rate.

The 5.75% Unsecured Debentures trade on the TSX under the symbol CHR.DB.A.

Total scheduled principal payments on long-term debt, excluding the current portion of unamortized deferred financing fees of $3.4 million, are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	$
No later than one year	184,636
Later than one year and no later than five years	1,232,374
Later than five years	550,801
	1,967,811

Revolving loan facilities

<u>Operating credit - $75.0 million</u>

Chorus has a three-year committed operating credit facility with a maturity date of August 30, 2022. The facility provides Chorus and certain designated subsidiaries (collectively, the "Credit Parties") with a committed facility of $75.0 million with the opportunity to borrow up to a further $25.0 million on a demand basis.

As at March 31, 2020, $30.0 million was drawn under the facility. Chorus has provided letters of credit totaling $10.1 million that reduce the amount available under this facility. The facility bears interest for Canadian dollar advances at US dollar LIBOR plus 1.75% - 2.25% and for US dollar advances at LIBOR plus 2.75% - 3.00%.

The indebtedness under this facility is secured by all present and after-acquired personal property of the Credit Parties, excluding aircraft, engines and certain real estate property.

Under the terms of this credit facility, Chorus is required to maintain a maximum ratio of total debt to EBITDA, as well as a minimum ratio of EBITDA to fixed charges. As at March 31, 2020, Chorus was in compliance with these covenants. These covenants were amended effective April 28, 2020 to accommodate the US $100.0 million revolving unsecured credit facility.

Any outstanding balance under this facility may become immediately repayable if the Corporation undergoes a change of control without the lender's consent.

<u>Revolving credit facility for aircraft acquisitions - US $300.0 million</u>

On January 21, 2019, Chorus secured a US $300.0 million committed, revolving credit facility to finance future aircraft acquisitions for its regional aircraft leasing business. The facility provides a revolving period of between 24 and 36 months (depending on the level of utilization in the first 24 months) and a 48-month term out period. The facility also provides an uncommitted option to expand by US $100.0 million to US $400.0 million.

The revolving portion of the facility ends in January 2021 with an option to convert to an amortizing term loan for a further four years maturing in January 2025. During the revolving period, amortization will be 5% annually. During the term-out period, the loans will amortize based on a 12-year straight-line full pay-out schedule, adjusted for the age of the aircraft at the time of addition to the facility. The facility may be prepaid in part or in full subject to a US $5.0 million minimum prepayment.

The facility bears interest at US dollar LIBOR plus 2.75% during the revolving period and ranging from LIBOR plus 3.00% - 4.75% during the term-out period. As of March 31, 2020, $162.8 million (US $114.7 million) was drawn on the facility.

The facility is secured by the aircraft financed under the facility, as well as an assignment of the leases, insurance proceeds and other collateral security customary for financings of this nature. All loans under this facility are cross-defaulted, cross-collateralized, and are guaranteed by CACIL.

The facility contains covenants that must be met on an ongoing basis. The financial covenants include a minimum amount of cash, tangible net worth, and a maximum debt to equity ratio in certain subsidiaries. As at March 31, 2020, Chorus was in compliance with these covenants.

<u>Revolving unsecured credit facility for general corporate purposes - US $100.0 million</u>

On April 28, 2020, Chorus obtained a US $100.0 million unsecured revolving credit facility through EDC for general corporate purposes, repayable in two years. The facility contains customary covenants and events of default, including restrictions on Share repurchases and the payment of dividends consistent with Chorus' operating facility (i.e. maximum $0.48 per Share per year), a mandatory prepayment upon the occurrence of a change of control of

Chorus, and any event of defaults that would be triggered upon the acceleration of Chorus indebtedness in excess of US $10.0 million, any event of default under any other indebtedness owed by Chorus to EDC. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA.

Covenant Default Risk

Chorus' debt agreements contain financial and non-financial covenants which if breached and not waived by the relevant lenders could result in the acceleration of indebtedness. To the extent that debt agreements are cross-defaulted, a default or acceleration under one agreement could cause a default or acceleration under another agreement. Therefore, if Chorus were to default under any of its debt agreements, this could have a material adverse effect on Chorus' financial position, cash flows and prospects.

Interest Rate Risk

Chorus' cash earns interest at prevailing and fluctuating market rates, as Chorus' objective is to maintain these balances in highly liquid investments.

The majority of Chorus' debt is not subject to interest rate volatility as it bears interest at fixed rates or at floating rates that are fixed via interest rate swaps. At March 31, 2020, 97.4% of Chorus' debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 2.6% was floating rate debt. Approximately 41.2% of the floating rate debt relates to aircraft for which Chorus has a variable lease rate with the underlying lessee and therefore has limited the exposure to the fluctuating rate of those loans.

Chorus has entered into interest rate swaps on certain of its amortizing term loans and warehouse revolving credit facility, converting a portion of its floating interest rate debt to fixed rates for the average duration of each loan and facility. Each interest rate swap is intended to hedge the variability of future interest rates and related interest payments on its respective loan. All interest rate swaps are designated and effective as cash flow hedges. The fair value of interest rate swaps was a $13.8 million liability at March 31, 2020 ($2.4 million liability as at December 31, 2019) and is recorded in other long-term liabilities. Changes in the fair value of interest rate swaps are recorded in other comprehensive income. During the three months ended March 31, 2020, Chorus recognized other comprehensive loss of $9.8 million, net of tax (March 31, 2019 - comprehensive loss of $0.7 million, net of tax).

In July 2017 the U.K. Financial Conduct Authority announced that the London Interbank Offered Rate (LIBOR) will be phased out by year-end 2021. Chorus' exposure to changes in LIBOR rates is confined to those loan and derivative agreements that have floating rates that reference LIBOR and that do not mature before December 31, 2021. As at March 31, 2020, Chorus had 22 loans which totaled $294.5 million and 10 derivative agreements which referenced notional amounts totaling $249.2 million which are impacted by LIBOR transition as they mature after December 31, 2021. Chorus continues to monitor, and plan for, the transition to alternative rates and anticipates no material impacts on its financial results.

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

A 1% change in the interest rate would not have a material impact on net income for the period ended March 31, 2020.

Foreign Exchange Rate Risk

Chorus receives revenue and incurs expenses in U.S. dollars, Canadian dollars and Euros. Chorus manages its exposure to currency risk in its Regional Aviation Services business by billing for its services within the CPA with Air Canada in the underlying currency related to the expenditure and matching the currency of debt for leased aircraft with the currency of the related lease rents. Accordingly, the primary exposure results from balance sheet fluctuations of U.S. denominated cash, accounts receivable, accounts payable, and in particular, obligations under finance leases and long-term debt, which are long-term and are therefore subject to larger unrealized gains or losses.

Chorus mitigates the currency risk associated with its Regional Aviation Leasing division by borrowing in the same currencies as the related lease revenues.

The amount of US dollar denominated assets was $54.9 million and US denominated liabilities was $679.1 million at March 31, 2020. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $6.2 million. A 1¢ change in the Euro versus Canadian dollar exchange rate would not have a material impact on unrealized gains or losses.

Equity Price Risk

Chorus has equity price risk exposure to Shares that it issues under its various stock-based compensation programs. To mitigate this risk, Chorus implemented a Total Return Swap in the fourth quarter of 2019. The Total Return Swap is intended to economically hedge the variability of Chorus' Share price affecting settlement under its various stock-based compensation programs. Chorus does not apply hedge accounting to the Total Return Swap and as such, gains and losses arising from changes in its fair value are recognized in operating income in the period in which they arise. The fair value of Total Return Swap was a $10.4 million liability at March 31, 2020 and is recorded in other long-term liabilities ($0.7 million asset as at December 31, 2019 recorded in other long-term assets). A corresponding loss of $15.3 million, including $4.2 million related to settlement, has been recorded in operating income during the three months ended March 31, 2020 (March 31, 2019 - $nil). For additional information, please refer to note 3(h) and 3(i), Significant Accounting Polices, of the audited consolidated financial statements of Chorus for the year ended December 31, 2019.

9 LIQUIDITY

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures including investment in aircraft acquisitions for purposes of business growth and diversification, and principal and interest payments related to long-term borrowings.

Chorus has a number of treasury management practices designed to promote strong liquidity and continued access to capital including those related to liquidity, leverage, cash flows and dividends, foreign exchange risk and interest rate risk.

As of March 31, 2020, Chorus had cash of $90.6 million inclusive of a $30.0 million draw from its $75.0 million committed facility with the opportunity to borrow up to a further $25.0 million on a demand basis and has also provided letters of credit totaling $10.1 million that reduce the amount available under this facility.

On April 6, 2020, Chorus announced a number of measures to further bolster liquidity given the uncertainty related to the duration and impact of the COVID-19 pandemic. These include cost reduction programs that encompass temporary layoffs, pay reductions for members of the executive, management team and Board of Directors, as well as the reduction in non-essential capital expenditures. In addition, Chorus has taken the following actions:

- Addition of a US $100.0 million revolving credit facility (refer to Section 8 - Capital Structure).
- Suspension of dividends (refer to Section 8 - Capital Structure).

On April 28, 2020, Chorus entered into repayment deferral agreement with one of its lenders totaling up to US $19.9 million plus interest which is repayable on September 30, 2020.

Chorus is also in the process of raising approximately US $30.0 to US $50.0 million in financing to be secured by up to four unencumbered aircraft in the first half of 2020. These financings are subject to the negotiation and execution of definitive agreements and the satisfaction of conditions precedent to closing. There can be no assurance that these conditions will be satisfied. (Refer to Section 24 - Caution regarding forward-looking information.)

The Corporation anticipates having sufficient liquidity to fund ongoing operations, planned capital expenditures, and principal and interest payments related to long-term borrowings. For greater certainty, this includes the ability to manage the repossession and remarketing of the aircraft previously on lease to Flybe and manage rent deferrals with its leasing customers. (Refer to Section 24 - Caution regarding forward-looking information.)

Working Capital

Chorus' working capital is not a good measure of its liquidity due to the fact that current liabilities include the current portion of long-term debt, whereas the current assets do not include the current portion of the long-term aircraft lease receivables as aircraft lease revenue is recorded as it is earned on a monthly basis.

Chorus' working capital deficit as reflected on the March 31, 2020 balance sheet was $138.1 million (December 31, 2019 - $136.4 million). The current portion of contracted aircraft lease receivables as at March 31, 2020 is estimated to be approximately $303.0 million converted to CAD at the March 31, 2020 month end rate of 1.4187. Working capital adjusted for the current portion of estimated long-term aircraft lease receivables reflects a surplus of approximately $164.9 million. (Refer to Section 24 - Caution regarding forward-looking information.)

Leverage

Chorus has reviewed market-acceptable ranges for leverage in the airline and aircraft leasing industries, and intends to stay within those ranges, with changes for relatively short periods of time, to allow for accretive investments.

Chorus' leverage ratio (measured as Adjusted net debt to trailing 12-month Adjusted EBITDA) was 5.3 as at March 31, 2020 (December 31, 2019 - 5.1). Leverage increased in 2020 due to a significant increase in the US dollar exchange rate to 1.4187 at March 31, 2020 versus 1.2988 at December 31, 2019, which increased long-term debt by approximately $132.3 million. (Refer to Section 18 - Non-GAAP Financial Measures.)

Cash Flows

The following table provides information on Chorus' cash flows for the three months ended March 31, 2020 and March 31, 2019.

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31, 2020 $	2019 $
Cash provided by operating activities	48,977	49,958
Cash (used in) provided by financing activities	(27,208)	68,120
Cash used in investing activities	(25,282)	(141,990)
Cash flow from operating, financing and investing activities	(3,513)	(23,912)
Effect of foreign exchange rate changes on cash	6,994	(1,085)
Net change in cash during the periods	3,481	(24,997)
Cash – Beginning of periods	87,167	92,592
Cash – End of periods	90,648	67,595

The figures in the preceding table exclude restricted cash of $50.0 million as at March 31, 2020 (2019 - $26.7 million). During the first quarter of 2020 restricted cash increased by $21.3 million, excluding the increase related to foreign exchange of $2.0 million, due to restricted cash covenants related to late lease payments in the Regional Aircraft Leasing segment. Restricted cash requirements will decrease as deferral agreements are finalized.

Cash provided by operating activities

Chorus continues to generate positive operating income and cash flows from operations producing $49.0 million for the three months ended March 31, 2020, compared to $50.0 million for the three months ended March 31, 2019. The decrease was primarily due to changes in working capital offset by increased operating income.

Cash (used in) provided by financing activities

Cash used in financing activities for the three months ended March 31, 2020 was $27.2 million, comprised primarily of scheduled payments on long-term borrowings of $41.9 million and cash dividends paid of $13.8 million (net of $5.7 million related to the DRIP), offset by a $30.0 million draw on the operating credit facility.

Cash provided by financing activities for the three months ended March 31, 2019 was $68.1 million, comprised primarily of net proceeds received from the issuance of Shares in the amount of $97.3 million, $15.0 million of borrowings on new loans related to aircraft acquisitions and $4.3 million from proceeds on stock options exercised; offset by scheduled payments on long-term borrowings of $32.9 million and dividends paid of $13.7 million (net of $3.9 million related to the DRIP).

Cash used in investing activities

Cash used in investing activities for the three months ended March 31, 2020 was $25.3 million, which includes capital expenditures of $10.0 million for the completion of one ESP aircraft as well as major maintenance overhauls and other capital expenditures and increased restricted cash of $21.3 million, excluding the increase related to foreign exchange of $2.0 million. This was offset by increased security deposits and maintenance reserves of $4.7 million related to leased aircraft.

Cash used in investing activities for the three months ended March 31, 2019 was $142.0 million which includes capital expenditures of $164.6 million for the acquisition of six aircraft as well as major maintenance overhauls and other capital expenditures. This was offset by increased security deposits and maintenance reserves of $20.8 million related to leased aircraft.

Capital expenditures

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

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31,		
	2020 **$**	**2019** **$**	**Change** **$**
Capital expenditures, excluding aircraft acquisitions and ESP	3,507	9,311	(5,804)
Capitalized major maintenance overhauls	3,952	2,147	1,805
Aircraft acquisitions and ESP(1)	2,526	153,099	(150,573)
Total capital expenditures	9,985	164,557	(154,572)

(1) 2019 includes the acquisition of four Q400s, two ATR 72-600s and aircraft deposits.

Commitments for capital expenditures

Chorus' pending aircraft transactions as at March 31, 2020 are as follows:

- Purchase and lease of nine CRJ900s to Air Canada under the CPA. The deliveries, previously expected to be fully delivered by the end of 2020, have been delayed until such time as Bombardier is able to re-open its manufacturing facilities and deliver the aircraft.
- Purchase and lease of two ATR72-600s to an undisclosed customer with deliveries expected in the second quarter of 2020.

The capital required for the above transactions is included in the planned 2020 aircraft acquisitions.

An agreement to purchase and lease three A220-300s to airBaltic previously expected in the second and third quarters of 2020 has been delayed due to COVID-19 with the delivery dates not reasonably determinable at this time. The capital required for these aircraft is not included in the planned 2020 aircraft acquisitions.

Chorus entered into an agreement to be the launch customer for the ESP, which is expected to extend the service life of the Dash 8-300s by 50% (or approximately 15 years). The program began in April 2017 and 14 aircraft were completed as of March 31, 2020. The cost for each aircraft that undergoes the program includes the parts and anticipated labour costs to complete the service bulletin. The anticipated cost (a portion of which will be incurred in US dollars) for the years 2020, 2021 and 2022 is expected to be approximately $4.0 million, per annum (US dollar amounts were converted to Canadian dollars at $1.4187, the March 31, 2020 closing day rate from the Bank of Canada). In connection with the issuance of the Convertible Units and the granting of certain aircraft security to the holders thereof, Chorus is required to complete the ESP for 16 Dash 8-300s by no later than December 31, 2020 and a further two Dash 8-300s by no later than December 31, 2022, for a total investment commitment of at least $56.9 million, which includes amounts previously spent in 2015 to 2019. (Refer to Section 24 - Caution regarding forward-looking information.)

The aggregate amount to be paid on account of the foregoing capital commitments beyond March 31, 2020 through 2022 is expected to be between $509.0 million and $519.0 million funded from existing and new debt facilities as well as available cash resources. (US dollar amounts were converted to Canadian dollars at $1.4187, the March 31, 2020 closing day rate from the Bank of Canada.) All pending acquisitions and lease commitments are subject to the satisfaction of customary conditions precedent to closing. (Refer to Section 24 - Caution regarding forward-looking information.)

Five 75-78 seat aircraft anticipated in or about 2025 pursuant to the CPA are not included in the preceding capital commitments.

Dividends

On April 6, 2020 Chorus announced the suspension of its monthly dividend of $0.04 per Share and the DRIP following payment of the previously declared dividends payable on April 17, 2020 to Shareholders of record on March 31, 2020.

No time period has been set for the resumption of a dividend and no commitment has been provided on the amount of any possible future dividends. Dividends are subject to the discretion of Chorus' Board of Directors.

Chorus declared dividends of $19.5 million for the three months ended March 31, 2020 (2019 - $18.3 million).

For the three months ended March 31, 2020, Chorus paid dividends net of the Shares issued under the DRIP of $13.8 million (2019 - $13.7 million). (See Section 8 - Capital Structure for details of Chorus' dividend reinvestment plan.)

10 RISK FACTORS

For a more detailed description of the possible risk factors associated with Chorus' business, including its dependence on the CPA, the aviation industry, the aircraft leasing business carried on by CAC, and the Voyageur business refer to the Section entitled “Risk Factors” in Chorus’ Annual Information Form dated February 12, 2020.

COVID–19

COVID-19 has resulted in governments around the world enacting emergency measures to contain the spread of the virus. For the aviation industry, it has led to strict travel restrictions and global cancellations impacting all airlines around the world. Chorus’ business model does not directly expose it to the market risks ordinarily faced by airlines; however, substantially all its revenue is derived from airline customers, through its CPA, its leasing of aircraft to airline customers globally and its charter operations.

Due to COVID-19 and associated government restrictions, Chorus’ business is subject to a number of additional risks, including, but not limited to:

Economic Outlook for Air Transportation Industry

Global debt and equity capital markets have experienced significant volatility and weakness as a result of COVID-19 and resulting government restrictions. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of COVID-19 and resulting government restrictions is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 and resulting government restrictions may, directly or indirectly, adversely affect Chorus’ operations, financial results and condition in future periods are also subject to significant uncertainty. The negative impact on global debt and equity markets, including the trading price of the Chorus’ securities, may negatively impact Chorus’ ability to access capital markets at a reasonable cost. Any of these factors could have a material adverse effect on Chorus’ business, results of operations, cash flows, financial position and prospects.

Risks Relating Specifically to Chorus’ Dependence on CPA

The payments to Chorus under the CPA are dependent on the financial strength of Air Canada, which is currently impacted by COVID-19 and resulting government restrictions. Chorus anticipates the receivables from Air Canada could increase due to the uncertainty surrounding required flying schedule. As a majority of Chorus' revenues is derived from the CPA (refer to Section 11 - Economic Dependence), if Air Canada is not able to make full payment of amounts owing, it could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects. For a more detailed description of the risk factors associated with Chorus' economic dependence on Air Canada refer to the section entitled "Risk Factors – Risks Relating Specifically to Chorus' Dependence on CPA" in Chorus' Annual Information Form dated February 12, 2020.

Third Party Credit Risk

CAC has entered into rent deferral arrangements with substantially all of its lessees which will reduce Chorus' cash flow over the period of the deferrals. These deferral arrangements could also increase Chorus' receivable risk due to the weakened financial state of its lessees. In addition, Chorus' liquidity could be put under stress where CAC is required to service principal and interest payments under its loans during the term of the deferral arrangements. If COVID-19 and associated government restrictions continue for a prolonged period of time, the risks associated with the payment of deferred and future rent payments could significantly increase which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Loan Prepayment

The terms of CAC's aircraft loans typically allow the lender to cause CAC to terminate the leases and remarket the aircraft if the lessee commits a default that has not been cured or waived. Upon terminating a lease, Chorus will typically have a prescribed period of time ranging from six to nine months during which to place the aircraft on lease with another operator on terms acceptable to the lender, failing which Chorus could be required to pay the principal amount outstanding under the loan (including accrued and unpaid interest, swap breakage and other costs, if any). If this were to occur, it could require Chorus to incur loan repayment obligations earlier than anticipated, putting further strain on Chorus' liquidity and increasing the risk of loan defaults and associated cross-defaults. Any such default could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Aircraft Repossession and Remarketing

The COVID-19 pandemic has caused liquidity challenges for many of Chorus' lessees. If it becomes necessary for Chorus to repossess aircraft from its lessees due to their inability to meet their obligations under the leases, Chorus may face significant obstacles to repossessing its aircraft due to governmental travel restrictions that could make the movement of technical crews and aircraft into or out of a jurisdiction impossible or impractical. In addition, Chorus may experience difficulty finding new lessees or buyers for the aircraft, which could result in a prolonged remarketing period and/or a sale or re-lease of the aircraft at historically-depressed prices or lease rates.

Aircraft Valuation

The carrying value for Chorus' owned aircraft reflects best estimates as at March 31, 2020. The length and duration of COVID-19 could materially impact aircraft values and the assumptions and estimates used to determine the value of its fleet. Chorus reviews aircraft values whenever an event or change in circumstance indicates that the carrying value of the aircraft may not be recoverable. Please refer to Section 12 – Critical Accounting Estimates for more detailed disclosure on aircraft valuation. Any such change in aircraft valuation could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

In addition, COVID-19 has elevated the risks to Chorus' operations including, without limitation, the following risks discussed in the Section entitled, "Risk Factors" in Chorus' Annual Information Form dated February 12, 2020: "Dependence on the CPA", "Leverage and Restrictive Covenants in Current and Future Indebtedness", "Defaults and Cross-Defaults Under Indebtedness", "Access to Capital/Refinancing Risk", "Third Party Credit Risk", "Changes in Law, Litigation and Regulatory Proceedings", "Reliance on Key Personnel", "Maintenance and Obsolescence of Leased Aircraft", "Lessee Maintenance Obligations in Respect of Leased Aircraft", "Transaction Completion Risk", "Foreign Exchange Rate Risk", "Interest Rate Risk" and "Suppliers".

11 ECONOMIC DEPENDENCE

Chorus and Air Canada are parties to the CPA under which Air Canada currently purchases substantially all of Jazz's fleet capacity on the Covered Aircraft. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on the CPA. (Refer to Section 2 - About Chorus and note 21 of the audited consolidated financial statements of Chorus for the years ended December 31, 2019 and 2018.)

12 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates.[1]

[1] (Refer to Section 24 - Caution regarding forward-looking information.) The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the years ended December 31, 2019 and 2018.

Operating revenue

Under the CPA, Chorus and Air Canada are to re-set certain rates applicable to the year ending December 31, 2020. The new rates will be retroactive to January 1, 2020. The negotiation of these rates has not been completed. As a result, Chorus used interim rates for certain Controllable Costs to estimate CPA operating revenues during the three-month period ended March 31, 2020. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. Given the nature of the Controllable Cost Guardrail, Chorus' exposure to variances between the Controllable Revenue Chorus receives from Air Canada to cover annually negotiated Controllable Costs and Chorus' actual Controllable Costs incurred in performing its services for Air Canada is limited to $2.0 million annually.

Employee benefits

The cost and related liabilities of Chorus' post-employment benefit programs are determined using actuarial valuations. The actuarial valuations involve certain assumptions including those in relation to discount rates, future salary increases, mortality rates and future benefit increases. Also, due to the long-term nature of these programs, such estimates are subject to significant uncertainty.

Depreciation and amortization of long-lived assets

Management makes estimates about the expected useful lives of long-lived assets and the expected residual value of the assets based on the estimated current fair value of the assets, Chorus' fleet plans and the cash flows they generate. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in operating costs, changes in utilization of the aircraft, and changing market prices for new and used aircraft of the same or similar types. Estimates and assumptions are evaluated at least annually. These adjustments are accounted for on a prospective basis, through depreciation and amortization expense. A 10% reduction to the residual values of aircraft would result in an increase of approximately $7.0 million to annual depreciation expense.

Impairment of non-financial assets

In accordance with IAS 36 – *Impairment of Assets*, Chorus' aircraft that are to be held and used, are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. Aircraft leased to third parties are not reviewed for impairment until after five years from the date of manufacture unless changes in circumstances suggest that there is an indicator of impairment. Management considers the current appraisal values, among other factors in assessing possible indicators of impairment.

For the purposes of measuring recoverable amounts, assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets.

For any aircraft for which an indicator of impairment is present, management estimates the recoverable amount which is the greater of fair value less cost of sales and value in use. An impairment charge would be recorded if the recoverable amount is less than the carrying amount of the assets being tested.

In assessing recoverable amounts, Chorus makes estimates about the expected useful lives and the residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types and considers Chorus' anticipated utilization of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption. The value in use is estimated by taking the present value of future cash flows obtainable as a result of an asset's continued use, including those from its ultimate disposal, discounted at 7.41% at March 31, 2020 (December 31, 2019 - 5.6%).

The calculation of value in use for aircraft showing signs of impairment requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft and its eventual disposition. Future cash flows are assumed to occur under the current market conditions and assume adequate time for a sale between a willing buyer and seller. Changes in the expected residual value, inflation rate and discount rate assumptions could have a material impact on Chorus’ conclusion.

Income taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors potential changes to tax law and bases its estimates on the best available information at each reporting date.

13 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2019 consolidated financial statements, except for the following:

New accounting standards adopted during the period

The IASB issued *Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, and IFRS 7*. The amendments affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by interest rate benchmark reform. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. Chorus’ exposure to changes in LIBOR rates is confined to those loan and derivative agreements that have floating rates that reference LIBOR and that do not mature before December 31, 2021. Refer to Section 8 - Capital Structure entitled, "Interest Rate Risk" for further details.

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 9 of Chorus' annual MD&A dated February 12, 2020. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, Total Return Swap, accounts payable and accrued liabilities, dividends payable, interest rate swaps, long-term debt and lease liabilities.

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, and the operating credit facility approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as commodity taxes and deferred lease inducements, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded.

The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- Lease receivables

  At March 31, 2020, the lease receivables had a fair value of $14.1 million versus a carrying value of $13.0 million. Chorus' annual cash flows have been discounted at the relevant market interest rates.

- Amortizing term loans

  At March 31, 2020, the term loans had a fair value of $1,723.3 million versus a carrying value of $1,651.6 million, excluding deferred financing fees of $11.5 million. The fair values were calculated by discounting the future cash flow of the respective long-term debt at the estimated yield to maturity of similar debt instruments.

- 6.00% Debentures

  At March 31, 2020, the Convertible Units had a fair value of $176.0 million versus a carrying value of $198.0 million, excluding deferred financing fees of $2.7 million. The fair value was calculated by valuing warrants held within Convertible Units and discounting the future cash flow of the respective debt at the estimated yield to maturity of similar debt instruments.

- 5.75% Unsecured Debentures

  At March 31, 2020, the 5.75% Unsecured Debentures had a fair value of $67.3 million versus a carrying value of $86.3 million, excluding deferred financing fees of $3.7 million. The fair value is based on quoted prices observed in active markets.

- Interest rate swaps

  At March 31, 2020, the interest rate swap liability had a fair value and carrying value liability of $13.8 million. The fair value of interest rate swaps, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

- Total Return Swap

  At March 31, 2020, the Total Return Swap liability had a fair value and carrying value of $10.4 million. The fair value of Total Return Swap, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

16 RELATED PARTY TRANSACTIONS

As at March 31, 2020, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements or otherwise not material to Chorus and/or the individuals involved.

17 CONTROLS AND PROCEDURES

Chorus' disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that the relevant information is recorded, processed, summarized and reported to its President and Chief Executive Officer ("CEO"), its Chief Financial Officer ("CFO") and its Disclosure Policy committee in a timely basis to ensure appropriate and timely decisions are made regarding public disclosure.

The internal controls over financial reporting ("ICFR") have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In the Chorus' 2019 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and operational effectiveness of both the DC&P and the ICFR.

In Chorus' first quarter 2020 filings, the CEO and CFO also certified, as required by National Instrument 52-109, the appropriateness of the financial disclosures, the design of both the DC&P and the ICFR based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

Due to inherent limitations, ICFR and DC&P can only provide reasonable assurance 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 first quarter of fiscal 2020 that has materially affected Chorus' ICFR. Management continues to monitor the impact of COVID-19 on Chorus' control environment however at this time it's not anticipated that there will be any material impact to ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A and the unaudited interim condensed consolidated financial statements of Chorus for March 31, 2020, and approved these documents prior to their release.

18 NON-GAAP FINANCIAL MEASURES

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

Adjusted Net Income, Adjusted EBT and Adjusted EBITDA

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and lease liability related to aircraft, signing bonuses, employee separation program costs and strategic advisory fees. Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of Chorus' financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar. (Refer to Section 24 - Caution regarding forward-looking information.)

EBT is defined as earnings before income tax. Adjusted EBT (EBT before signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains and losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes Adjusted EBT assists investors in comparing Chorus' performance by excluding items, which it does not believe will re-occur over the longer-term (such as signing bonuses, employee separation program costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses.

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance. Adjusted EBITDA (EBITDA before signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance by excluding items, which it does not believe will re-occur over the longer-term (such as signing bonuses, employee separation program costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements.

	Three months ended March 31,		
(unaudited) *(expressed in thousands of Canadian dollars, except per share amounts)*	**2020** **$**	**2019** **$**	**Change** **$**
Net income	(17,294)	33,447	(50,741)
Add (Deduct) items to get to Adjusted net income			
Unrealized foreign exchange loss (gain)	38,396	(16,753)	55,149
Employee separation program	3,883	355	3,528
Signing bonuses	—	2,000	(2,000)
	42,279	(14,398)	56,677
Adjusted net income	**24,985**	**19,049**	**5,936**
Adjusted net income per Share - basic	0.16	0.13	**0.03**
Add items to get to Adjusted EBT			
Income tax expense	4,363	5,217	(854)
Adjusted EBT	**29,348**	**24,266**	**5,082**
Add (Deduct) items to get to Adjusted EBITDA			
Net interest expense	20,207	15,741	4,466
Depreciation and amortization	38,115	32,250	5,865
Foreign exchange loss	1,036	2,503	(1,467)
Gain on disposal of property and equipment	(16)	(36)	20
	59,342	50,458	8,884
Adjusted EBITDA	**88,690**	**74,724**	**13,966**

Adjusted Net Debt to Adjusted EBITDA

Adjusted net debt to trailing 12-month Adjusted EBITDA leverage ratio (also referred to as "leverage ratio" in this MD&A) is commonly used in the airline industry and is used by Chorus as a means to measure financial leverage. Leverage ratio is calculated by dividing Adjusted net debt by trailing 12-month Adjusted EBITDA. Leverage is not a recognized measure under GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Chorus has calculated the amount to assist readers in this review. Leverage should not be construed as a measure of cash flows.

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2020** **$**	**December 31, 2019** **$**	**Change** **$**
Long-term debt (including current portion)	1,963,675	1,839,446	124,229
Less: Cash	(90,648)	(87,167)	(3,481)
Net debt	1,873,027	1,752,279	120,748
Adjusted net debt	1,873,027	1,752,279	120,748
Adjusted EBITDA	355,685	341,719	13,966
Leverage ratio	5.3	5.1	0.2

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness.

As at March 31, 2020, Adjusted net debt increased from $1,752.3 million to $1,873.0 million, representing an increase of $120.7 million or 6.9% from December 31, 2019. The increase was primarily related to the impact of a higher US dollar exchange rate which increased long-term debt by approximately $132.3 million and a $30.0 million draw on the operating credit facility, offset by $43.7 million in scheduled payments on long-term borrowings and lease liabilities.

Chorus' leverage ratio (Adjusted net debt to trailing 12-month Adjusted EBITDA) was 5.3 as at March 31, 2020 (December 31, 2019 - 5.1). Leverage increased for March 31, 2020 compared to year ended December 31, 2019, due to the increase in the US dollar exchange rate at March 31, 2020 of $1.4187 and the US dollar earnings increasing on a trailing basis.

Adjusted Cash Provided by Operating Activities

Adjusted Cash Provided by Operating Activities is defined as cash provided by operating activities less net changes in non-cash balances related to operations and capital expenditures excluding aircraft acquisitions and ESP. Management believes that this metric reflects Chorus' capacity to invest in growth investments and service debt and dividend payments.

(unaudited) *(expressed in thousands of Canadian dollars)*	**Three months ended March 31,**		
	2020 **$**	**2019** **$**	**Change** **$**
Cash Provided by Operating Activities	48,977	49,958	(981)
Add (Deduct)			
Net changes in non-cash balances related to operations	16,169	6,007	10,162
Capital expenditures, excluding aircraft acquisitions and ESP	(3,507)	(9,311)	5,804
Capitalized major maintenance overhauls	(3,952)	(2,147)	(1,805)
Adjusted Cash Provided by Operating Activities	**57,687**	**44,507**	**13,180**

Return on Invested Capital

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

	Trailing twelve months ended		
(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2020** **$**	**December 31, 2019** **$**	**Change** **$**
Income before income taxes	106,665	158,260	(51,595)
Unrealized foreign exchange loss (gain)	13,844	(41,305)	55,149
	120,509	116,955	3,554
Add:			
Finance costs	79,156	74,820	4,336
	199,665	191,775	7,890
Invested capital:			
Average long-term debt[1]	1,671,683	1,650,903	20,780
Average lease liabilities[2]	18,165	19,473	(1,308)
Average Shareholders' equity	581,259	517,400	63,859
	2,271,107	2,187,776	83,331
Return on invested capital	8.8%	8.8%	—%

(1) Average long-term debt includes the current portion and long-term portion.
(2) Average lease liabilities includes the current portion and long-term portion.

During the first quarter of 2020, the average return on invested capital remained stable at 8.8%.

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19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

(unaudited)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Chorus								
Total revenue ($000)	350,041	338,606	351,454	332,520	343,867	333,724	341,993	353,907
Net (loss) income ($000)	(17,294)	36,577	24,195	38,941	33,447	2,237	43,649	16,314
Adjusted net income[(1)] ($000)	24,985	23,284	29,177	24,653	19,049	35,323	30,765	29,525
Adjusted EBITDA[(1)] ($000)	88,690	88,636	92,639	85,720	74,724	92,056	86,851	84,100
Net (loss) income per Share, basic ($)	(0.11)	0.23	0.15	0.25	0.22	0.02	0.31	0.12
Net (loss) income per Share, diluted ($)	(0.11)	0.23	0.15	0.24	0.22	0.02	0.31	0.12
Adjusted net income,[(1)] per Share - basic ($)	0.16	0.15	0.18	0.16	0.13	0.25	0.22	0.21
FTE employees (end of period)	4,973	4,910	4,985	4,938	4,851	4,826	4,949	4,985
Number of aircraft (end of period)	211	213	199	184	179	174	171	169
Jazz								
Departures	50,817	56,299	60,111	56,415	54,738	57,798	62,584	60,233
Block Hours	77,454	84,950	90,540	82,938	83,799	87,838	95,891	89,394
Billable Block Hours	90,499	87,532	91,391	83,903	88,386	89,980	96,879	90,639

(1) These are non-GAAP financial measures. Refer to Section 18 – Non-GAAP Financial Measures.

20 REGIONAL AVIATION SERVICES REVENUE

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31,			
	2020 $	**2019 $**	**Change $**	**Change %**
Controllable Revenue	188,457	191,006	(2,549)	(1.3)
Pass-Through Revenue	46,666	51,892	(5,226)	(10.1)
Fixed Margin	18,810	18,810	—	—
Incentive Revenue	308	608	(300)	(49.3)
	254,241	262,316	(8,075)	(3.1)
Aircraft leasing under the CPA	33,461	32,441	1,020	3.1
Other[(1)]	20,134	23,237	(3,103)	(13.4)
	307,836	317,994	(10,158)	(3.2)

(1) Other includes charter, contract flying, MRO and other.

21 CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2020 $	 2019 $
Operating revenue	350,041	343,867
Operating expenses		
Salaries, wages and benefits	135,975	127,962
Depreciation and amortization	38,115	32,250
Aircraft maintenance materials, supplies and services	49,219	59,327
Airport and navigation fees	38,388	40,294
Terminal handling services	5,006	6,124
Other	36,646	37,791
	303,349	303,748
Operating income	46,692	40,119
Non-operating (expenses) income		
Interest revenue	666	796
Interest expense	(20,873)	(16,537)
Gain on disposal of property and equipment	16	36
Foreign exchange (loss) gain	(39,432)	14,250
	(59,623)	(1,455)
(Loss) income before income taxes	(12,931)	38,664
Income tax expense		
Current income tax	(5,298)	(2,220)
Deferred income tax	935	(2,997)
	(4,363)	(5,217)
Net (loss) income	(17,294)	33,447

22 ADDITIONAL INFORMATION

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

23 GLOSSARY OF TERMS

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

"**2019 CPA Amendments**" means the amendments to, including the extension of the term of, the 2015 CPA described in the Corporation's Material Change Report dated January 24, 2019;

"**5.75% Unsecured Debentures**" means the 5.75% Senior Unsecured Debentures of the Corporation due December 31, 2024;

"**6.00% Debentures**" means the 6.00% Senior Debentures of the Corporation due December 31, 2024;

"**A220-300**" means Airbus A220-300;

"**ATR72-600**" means the ATR 72-600 aircraft manufactured by Avions de Transport Régional G.I.E.;

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

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

"**CACC**" means Chorus Aviation Capital Corp. (formerly, Chorus Aviation Holdings Inc.), a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013, including its subsidiaries. CACC is a subsidiary of the Corporation;

"**Chorus**" means, as the context may require, the Corporation and its current and former subsidiaries;

"**Chorus Aviation Capital**" or "**CAC**" means CACC and its subsidiaries;

"**CACIL**" means Chorus Aviation Capital (Ireland) Limited, a private company limited by shares incorporated under the *Companies Act 2014* (Ireland) on March 15, 2017. CACIL is a subsidiary of the Corporation;

"**Chorus Aviation Leasing**" means Chorus Aviation Leasing Inc., a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013. Chorus Aviation Leasing is a subsidiary of the Corporation;

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

"**Controllable Cost Guardrail**" means the provision which limits Jazz's exposure to $2.0 million annually for variances between the Controllable Revenue Jazz receives from Air Canada to cover annually negotiated Controllable Costs and Jazz's actual Controllable Costs incurred in performing its services for Air Canada;

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

"**Convertible Units**" means the convertible debt units issued by the Corporation to Fairfax in 2017 for gross proceeds of $200.0 million, each such unit comprising a $1,000 6.00% Debenture and 121.2122121 Warrants;

"**Corporation**" means Chorus Aviation Inc., a corporation incorporated under the *Canada Business Corporations Act* on September 27, 2010;

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

"**COVID-19**" means the novel strain of coronavirus, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020;

"**CPA**" means the 2015 CPA, as amended and extended by the 2019 CPA Amendments, and as may be further amended;

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

"**CRJ200**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 200, CRJ 705, CRJ 900, and CRJ 1000 regional jet aircraft, and "**CRJ aircraft**" means all of the foregoing;

"**Dash 8-100**", "**Dash 8-300**", "**Dash 8-400**" and "**Dash 7-100**" means, respectively, De Havilland Dash 8-100, Dash 8-300, Dash 8-400 (formerly the "Q400") and Dash 7-100 turboprop aircraft, and "**Dash Aircraft**" means all of the foregoing;

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

"**EBITDA**" means earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance;

"**E190**" and "**E195**" means, respectively, Embraer E190 and Embraer E195 E jet aircraft;

"**Extended Service Program**" or "**ESP**" refers to the life extension program for extending the service life of Dash-8-300s by 50% (or approximately 15 years);

"**Fairfax**" means Fairfax Financial Holdings Limited and/or certain of its subsidiaries;

"**Fixed Margin**" means the fixed fee under the CPA that, is paid to Jazz by Air Canada for the operation of the Covered Aircraft under the CPA;

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

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

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

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

"**Infrastructure Fee per Covered Aircraft**" means the fixed fee that, prior to January 1, 2019, was paid to Jazz by Air Canada per Covered Aircraft for the additional services Chorus provides in support of Air Canada's regional flying network under the CPA;

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

"**Jazz Leasing**" means Jazz Leasing Inc., the successor by amalgamation to Jazz Leasing Inc. and Jazz Aircraft Financing Inc. under the *Canada Business Corporations Act* on December 31, 2016. Jazz Leasing is a subsidiary of the Corporation;

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

"**LIBOR**" means London Interbank Offered Rate;

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

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

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

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

"**Pass-Through Revenue**" means revenue received by Jazz under the CPA in payment of Pass-Through Costs;

"**Performance Incentives**" mean compensation to Jazz, under the CPA, for achieving established performance targets, being: controllable on-time performance, controllable flight completion, passengers arriving with luggage and customer service;

"**Q400**" means the Bombardier Q400 turboprop aircraft (now known as the Dash 8-400);

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

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

"**Shares**" mean the Class B Voting Shares and Class A Variable Voting Shares in the capital of the Corporation;

"**Total Return Swap**" means the equity derivative contract entered into by the Corporation;

"**TSX**" means the Toronto Stock Exchange;

"**Voyageur**" means Voyageur Aviation Corp., the successor by amalgamation to Voyageur Aviation Corp., Voyageur Airways Limited, Voyageur Aerotech Inc., Voyageur Avparts Inc., Chorus Holdings II Inc., and North Bay Leasing Inc. under the *Business Corporations Act* (Ontario) on January 1, 2019. Voyageur is a subsidiary of the Corporation; and

"**Warrants**" means warrants exercisable to acquire Shares at a price of $8.25 per Share.

24 CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information is included in this MD&A. Forward-looking information is 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 information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information relates to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking information, by its nature, is based on assumptions, including those referenced below, and is subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, among other things, external events, changing market conditions and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed in the forward-looking information. Actual results may differ materially from anticipated results indicated in forward-looking information for a number of reasons, including without limitation, the development of circumstances which differ from the assumptions under the heading "Outlook", including a prolonged duration of the COVID-19 outbreak and/or further restrictive measures to contain its spread; the evolving impact of COVID-19 on our contractual counterparties, aviation industry and general economic conditions; the emergence of other epidemic diseases; the continued payment of amounts due under the CPA in whole or in part; the failure to successfully conclude negotiations or complete transactions referenced in this MD&A (including the refinancing of the existing unencumbered aircraft) on the terms currently contemplated or at all, the impact of any delay or non-delivery of the CRJ900 aircraft on Chorus' business; the risks relating to Chorus' economic dependence on and relationship with Air Canada; the failure to close pending aircraft acquisitions or lease commitments relating to future aircraft deliveries; the failure to secure financing for future capital commitments; risks relating to the airline industry (including the international operation of aircraft in developing countries and areas of unrest); risks relating to aircraft leasing (including the financial condition of lessees, availability of aircraft, access to capital, fluctuations in aircraft market values, competition and political risks); the failure of Chorus or any other party to satisfy conditions precedent to the closing of transactions that are announced prior to their completion; energy prices, general industry, market, credit, and economic conditions (including a severe and prolonged economic downturn which could result in reduced payments under the CPA); increased competition affecting Chorus and/or Air Canada; insurance issues and costs; supply issues and costs; the risk of war, terrorist attacks, aircraft incidents and accidents; fraud, cybersecurity attacks or other criminal behaviour by internal or external parties; epidemic diseases, environmental factors or acts of God; changes in demand due to the seasonal nature of Chorus' business or general economic conditions; the ability to reduce operating costs and employee counts; the ability of Chorus to secure financing or refinance existing indebtedness or assets; the ability of Chorus to attract and retain the talent required for its existing operations and future growth; the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts; employee relations, labour negotiations or disputes; pension issues and costs; currency exchange and interest rates; debt leverage and restrictive covenants contained in debt facilities; future changes (if any) to Chorus' dividend policy; managing growth; changes in laws; adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate; pending and future litigation and actions by third parties; the risks referred to in Section 10 - Risk Factors of this MD&A as well as the factors identified throughout this MD&A. Examples of forward-looking information in this MD&A include the discussion of term sheets for transactions that remain subject to the execution of definitive agreements, outlook discussion in Section 4 - Outlook, and in the discussion throughout this MD&A concerning Chorus' expectations for CAC's future potential. The statements containing forward-looking information in this MD&A represent Chorus' expectations as of the date of this MD&A and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws. Readers are cautioned that the foregoing list of factors and risks is not exhaustive.