



First Quarter 2021



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

May 12, 2021

INTRODUCTION

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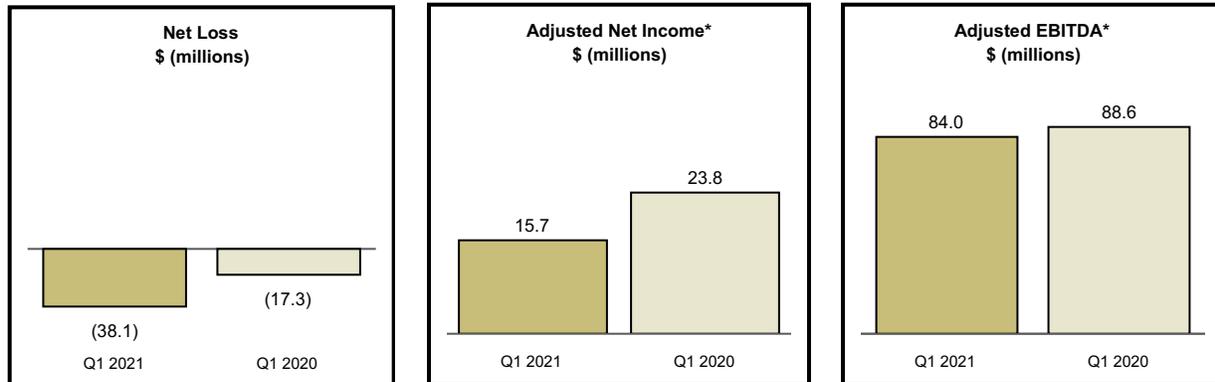
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 23 - Glossary of Terms for definition 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, 2021, the audited consolidated financial statements of Chorus for the year ended December 31, 2020, Chorus' 2020 annual MD&A dated February 18, 2021 and Chorus' 2020 Annual Information Form dated February 18, 2021. 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 12, 2021.

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



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

Q1 2021 Financial Highlights:

- Net loss of \$38.1 million, or \$0.24 per basic Share, a quarter-over-quarter decrease of \$20.8 million due to one-time restructuring costs related to the 2021 CPA Amendments of \$81.8 million, offset by the changes in unrealized foreign exchange of \$45.4 million and income taxes.
- Adjusted net income of \$15.7 million, or \$0.10 per basic Share, a decrease of \$8.1 million quarter-over-quarter primarily due to the impact of COVID-19 on results.
- Adjusted EBITDA of \$84.0 million, a decrease of \$4.5 million quarter-over-quarter.

Liquidity

As of March 31, 2021, Chorus' liquidity was \$171.3 million including cash of \$136.0 million and \$35.3 million of available room on its operating credit facility. Liquidity decreased from the fourth quarter of 2020 by \$29.7 million primarily due to certain payments related to the 2021 CPA Amendments of approximately \$17.0 million and debt repayments of \$56.0 million, offset by the collection of the 2020 Controllable Cost Guardrail receivable of \$44.2 million.

On April 6, 2021, Chorus completed a concurrent public offering and private placement of Equity Units and 6.00% Unsecured Convertible Debentures for gross proceeds of \$145.1 million. The net proceeds, after transaction costs, was \$138.0 million (refer to Section 8 - Capital Structure).

In connection with the issuance of the 6.00% Unsecured Convertible Debentures, Export Development Canada ("EDC") agreed to a one-time waiver of the 35% repayment obligation under the US \$100.0 million unsecured revolving debt facility in exchange for repayment of deferred amounts under secured aircraft loans in the amount of \$33.9 million. Chorus also plans to pay down additional secured indebtedness by approximately \$75.0 million. Repayment on these secured debt facilities will bring the carrying value of CAC's unencumbered fleet to approximately \$140.0 million (US \$110.0 million) and will also reduce Chorus' restricted cash requirements by approximately \$10.0 million.

Q1 Highlights:

Regional Aviation Services

On March 15, 2021, the 2021 CPA Amendments became effective on a retroactive basis to January 1, 2021. The principal changes include:

- 25 E175s will be added to the Covered Aircraft fleet in 2021, increasing the Fixed Margin over the remaining term of the CPA by \$46.0 million;
- Jazz will be the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025 and is currently the sole provider of Air Canada Express services;
- 19 Dash 8-300s were removed from the Covered Aircraft fleet effective January 1, 2021, thereby reducing aircraft leasing revenue under the CPA by \$56.0 million over the remaining term of the CPA; and
- the Controllable Cost Guardrail receivable is now capped at \$20.0 million, improving working capital with no change to the \$2.0 million Controllable Cost Guardrail exposure.

As a result of the 2021 CPA Amendments, Chorus recorded one-time restructuring costs of \$81.8 million as follows:

- Non-cash impairment and inventory provisions on the Dash 8-300s of \$42.8 million;
- Early retirement program costs of \$26.3 million to incentivize early departure of senior Jazz pilots enrolled in the defined benefit pension plan;
- Non-cash defined benefit pension plan curtailment provision of \$10.0 million;
- Integration and E175 aircraft related transition costs of \$2.0 million; and
- Signing bonuses of \$0.7 million for Jazz pilots.

Chorus also agreed to pay Air Canada a \$20.0 million contract fee in connection with the transfer and integration of the E175s into the Covered Aircraft fleet of which \$15.0 million was paid in March 2021. The remaining \$5.0 million is due on or before March 31, 2022.

All other material terms of the CPA, including the December 31, 2035 expiry date, are unchanged.

Regional Aircraft Leasing

- In April 2021, CAC executed long-term leases for three of the 13 off-lease aircraft. One Dash 8-400 has been delivered to National Jet Express, a subsidiary of Cobham Aviation Services, and two Dash 8-400s are pending delivery to Sky Alps of Bolzano, Italy (refer to Section 24 - Caution Regarding Forward-Looking Information). These aircraft were repossessed by CAC in 2020 and have undergone reconfiguration and return-to-service work at Voyageur and Jazz.
- CAC is actively remarketing the remaining 10 off-lease aircraft resulting from lease terminations. The financial impact of these lease terminations and anticipated lease restructurings was included in Chorus' general aircraft impairment in 2020.
- CAC also recorded an expected credit loss provision of \$2.5 million during the quarter primarily related to rent relief arrangements with its customers (Section - 12 - Critical Accounting Estimates).
- CAC has implemented rent relief arrangements for substantially all of its customers (refer to Section 4 - Outlook).
- CAC collected approximately 62% of its lease revenue billed in the first quarter of 2021 consistent with fourth quarter 2020 collections.

First Quarter Summary

In the first quarter of 2021, Chorus reported Adjusted EBITDA of \$84.0 million, a decrease of \$4.5 million relative to the first quarter of 2020.

The RAL segment's Adjusted EBITDA decreased by \$9.5 million primarily due to lower lease margins attributable to off-lease aircraft, a \$2.5 million expected credit loss provision and a lower US dollar exchange rate partially offset by additional aircraft earning leasing revenue.

The RAS segment's Adjusted EBITDA increased by \$4.9 million. The first quarter results were impacted by:

- a decrease in stock-based compensation of \$7.1 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 - Equity Price Risk);
- an increase in aircraft leasing revenue under the CPA of \$2.5 million primarily due to nine incremental CRJ900s partially offset by the removal of the Dash 8-300s and a lower US dollar exchange rate;
- an increase in other revenue due to an increase in third-party MRO activity and contract flying; and
- a decrease in general administrative expenses; offset by
- a decrease in Fixed Margin of \$2.4 million in accordance with the CPA contract; and
- a decrease in capitalization of major maintenance overhauls on owned aircraft operated under the CPA of \$2.4 million.

Adjusted net income was \$15.7 million for the quarter, a decrease of \$8.1 million due to:

- a \$4.5 million decrease in Adjusted EBITDA as previously described;
- an increase in net interest costs of \$4.6 million primarily related to new credit facilities added in April 2020 and additional aircraft debt; and
- an increase of \$1.2 million in realized foreign exchange and unrealized foreign exchange losses on working capital; offset by
- a \$2.0 million decrease in adjusted income tax expense resulting from a reduction in EBT of \$23.3 million offset by tax recovery on adjusted items of \$21.3 million; and
- a decrease in depreciation of \$0.3 million.

Net loss increased \$20.8 million due to the previously noted decrease in Adjusted net income of \$8.1 million, one-time restructuring costs related to the 2021 CPA Amendments of \$81.8 million and a change in net lease repossession costs of \$7.0 million; offset by the change in net unrealized foreign exchange on long-term debt of \$45.4 million, tax recovery on adjusted items of \$21.3 million, decreased impairment of \$5.9 million in the RAL segment and decreased employee separation program costs of \$3.5 million, exclusive of the cost attributable to the pilot early retirement program.

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 encompass every stage of an aircraft's life-cycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, repurposing 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, the 6.00% Unsecured Convertible Debentures, unsecured revolving credit facility 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. Under the CPA, Jazz operates substantially all 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 charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

b) Aircraft leasing: Jazz currently earns leasing revenue under the CPA from 48 aircraft and five spare engines. 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, 145 and 175 aircraft. Voyageur provides specialty, MRO and engineering 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 aircraft 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 May 12, 2021, CAC's portfolio of leased aircraft consists of 62 aircraft of which 52 aircraft are subject to lease agreements with airline customers comprising 21 Dash 8-400s, 16 ATR72-600s, four CRJ1000s, four E190s, two E195s and five A220-300s. CAC owns 10 aircraft that are currently off-lease and intends to remarket them for lease to other airlines (refer to Section 24 - Caution Regarding Forward-Looking Information).

Jazz earns revenue under the CPA in five ways:

1. Fixed Margin

Jazz will earn a Fixed Margin based on the number of Covered Aircraft under the CPA which will not be less than \$65.7 million for 2021. In 2020, Jazz earned a Fixed Margin which was set as an aggregate amount irrespective of the number of Covered Aircraft.

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 Cost Revenue*

Jazz and Air Canada negotiate rates (Controllable Cost Revenue) for the Controllable Costs Jazz expects to incur which are estimated based on certain variables to operate Air Canada Express services under the CPA. Jazz's exposure to variances between the Controllable Cost 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"). 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 Cost 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 Cost Revenue rates are set annually, and Jazz and Air Canada complete a quarterly reconciliation and payment is made once the variance, if any, between the Controllable Cost Revenue paid by Air Canada and Jazz's actual Controllable Costs is greater than \$20.0 million for the first three quarters with the exception of the \$2.0 million Controllable Cost Guardrail. The annual reconciliation is completed subsequent to the fourth quarter at which time the Controllable Cost Guardrail receivable is paid in full.

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, certain voluntary employee separation program costs 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, 14 CRJ900s, and five spare engines. Effective January 1, 2021 in accordance with the 2021 CPA Amendments, Jazz no longer earns aircraft leasing revenue on the Dash 8-300s that were previously Covered Aircraft.

Jazz incurs two types of costs under the CPA:

- 1) Controllable Costs - which are offset by Controllable Cost 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, 2021 through December 31, 2025, Jazz will continue to gradually reduce to the minimum number of Covered Aircraft of 105. 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 (refer to Section 24 - Caution Regarding Forward-Looking Information).

3 STRATEGY

Chorus' long-term strategy is 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 amended and extended effective January 1, 2019 and was subsequently amended on January 1, 2021 and has a term expiring on December 31, 2035. As a result of the 2021 CPA Amendments, Jazz will be the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025.

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. The minimum fleet and aircraft leasing commitments to 2035 provide stability with opportunity for growth.

Chorus acquired Voyageur in 2015 as part of its growth and diversification strategy. Voyageur provides charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers. Voyageur also provides specialty, MRO and engineering 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 aircraft parts provisioning and sales offering.

CAC was established at the beginning of 2017 with the objective of further diversifying Chorus' earnings through developing its aircraft leasing activity into a global business. CAC is focused on building a diversified portfolio of regional aircraft manufactured by Airbus, ATR, De Havilland and Embraer for lease to regional aircraft operators around the world.

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 an integrated model providing 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.

With the onset of the COVID-19 pandemic, Chorus pivoted to focus its efforts on building and maintaining liquidity and to this end temporarily curtailed previously planned investments in growth in 2020. On April 6, 2021, Chorus completed a concurrent public offering and private placement of Equity Units and 6.00% Unsecured Convertible Debentures for net proceeds, after transaction costs, of \$138.0 million (refer to Section 8 - Capital Structure). Chorus has used part of the proceeds to repay loan deferrals in the amount of \$33.9 million and plans to pay down additional secured indebtedness by approximately \$75.0 million. Chorus plans to use the remainder of the net proceeds to prudently pursue growth opportunities, maintain balance sheet flexibility and for general corporate purposes.

4 OUTLOOK

The discussion that follows includes forward-looking information. This outlook is provided for the purpose of providing information about current expectations for 2021 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 passenger aviation industry around the world. Although 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. Chorus continues to work with Air Canada and its leasing customers to help them manage the economic pressures they are facing as a consequence of the sustained reduction in demand for passenger air travel.

Regional Aviation Services:

On March 15, 2021, Chorus amended the CPA with Air Canada on a retroactive basis to January 1, 2021. The principal changes include:

- 25 E175s will be added to the Covered Aircraft fleet in 2021, increasing the Fixed Margin over the remaining term of the CPA by \$46.0 million;
- Jazz will be the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025;
- 19 Dash 8-300s were removed from the Covered Aircraft fleet effective January 1, 2021, thereby reducing aircraft leasing revenue under the CPA by \$56.0 million over the remaining term of the CPA; and
- The Controllable Cost Guardrail receivable is now capped at \$20.0 million, improving working capital with no change to the \$2.0 million Controllable Cost Guardrail exposure.

All other material terms of the CPA, including the December 31, 2035 expiry date, are unchanged.

The Fixed Margin under the CPA for 2021 is based on the number of Covered Aircraft which will be no less than \$65.7 million.

Chorus estimates the carrying value of the owned Dash 8-300s to be approximately \$65.0 million, and can sell, lease, or convert them for cargo operations.

In the first quarter of 2021, Jazz operated at approximately 15% of its first quarter 2019 pre-COVID-19 flying levels. In the second quarter of 2021, Jazz expects to operate approximately 20% to 25% of its second quarter 2019 pre-COVID-19 flying levels.

Voyageur continues to perform overseas humanitarian flights and cargo services, and the air ambulance operation in New Brunswick. Voyageur's contract flying, charter sales and MRO services revenues all improved over the fourth quarter of 2020 and the momentum is expected to be sustained in 2021.



Regional Aircraft Leasing:

Chorus has received requests from substantially all its RAL segment customers for some form of temporary rent relief, as they cope with an unprecedented reduction in demand for passenger air travel. In connection with the rent relief arrangements, that include lease term extensions, the repayment terms vary but typically coincide with the lease term extensions. CAC's gross lease receivable was \$67.7 million (US \$53.8 million) as of March 31, 2021 (December 31, 2020 - \$56.3 million; US \$44.2 million). The gross receivable may increase to approximately \$75.0 million (US \$60.0 million) by the end of 2021. The increase over previous guidance is due to additional and anticipated rent relief requests from certain customers resulting from continued travel restrictions as the number of COVID-19 variants and cases continue to climb.

The net lease receivable, after the expected credit loss provision, was \$57.4 million (US \$45.6 million) as at March 31, 2021 (December 31, 2020 - \$48.3 million (US \$38.0 million)). CAC's lease deferral receivable exposure is also partially mitigated by security packages held of approximately \$24.0 million (US \$19.0 million). Chorus collected approximately 62% of lease revenue billed in the first quarter from its lessees, excluding repossessed aircraft which is consistent with fourth quarter 2020 collections. 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.

Capital:

On April 6, 2021, Chorus completed a concurrent public offering and private placement of Equity Units and 6.00% Unsecured Convertible Debentures for aggregate gross proceeds of \$145.1 million. A portion of the net proceeds has been used to pay down secured indebtedness (refer to Section - 8 Capital Structure).

The remaining net proceeds will be used to position Chorus to prudently pursue growth opportunities (including purchasing additional aircraft to continue expanding Chorus' regional aircraft leasing business and expanding into additional contracted flying operations), provide additional balance sheet flexibility and for general corporate purposes.

The following table provides the number of aircraft that earn or will earn leasing revenue for closed and pending transactions⁽¹⁾ announced to-date:

(unaudited)	Customer	Aircraft type	Completed Transactions			Pending Transactions ⁽¹⁾	Closed and Pending Transactions
			Q4 2020	Q1 2021	Total	Q2 2021	Q2 2021 ⁽²⁾
	Aeromexico	Embraer	3		3		3
	Air Nostrum	CRJ	4		4		4
	airBaltic	A220-300	5		5		5
	Azul Airlines ⁽³⁾	ATR/Embraer	5		5		5
	Cobham ⁽⁴⁾	Dash 8-400	—		—	1	1
	Croatia Airlines	Dash 8-400	2		2		2
	Ethiopian Airlines	Dash 8-400	5		5		5
	Indigo	ATR	8		8		8
	Jambojet	Dash 8-400	3		3		3
	KLM Cityhopper	Embraer	1		1		1
	Malindo Air	ATR	4		4		4
	Philippine Airlines	Dash 8-400	3		3		3
	Sky Alps ⁽⁵⁾	Dash 8-400	—		—	2	2
	SpiceJet	Dash 8-400	5		5		5
	Wings Air	ATR	1		1		1
	Total Regional Aircraft Leasing⁽⁶⁾		49	—	49	3	52
	Total Regional Aviation Services⁽⁶⁾⁽⁷⁾⁽⁸⁾	Dash 8-400/CRJ	62	(14)	48	—	48
	Chorus Total Aircraft⁽⁶⁾		111	(14)	97	3	100

(1) All pending transactions are subject to the satisfaction of customary conditions precedent to closing (refer to Section 24 - Caution Regarding Forward-Looking Information).

(2) Total announced transactions as of May 12, 2021.

(3) Consists of three ATR72-600s and two E195s.

(4) In April 2021, CAC delivered one Dash 8-400 under lease to National Jet Express, a subsidiary of Cobham Aviation Services.

(5) In April 2021, CAC executed leases for two Dash 8-400s with Sky Alps with deliveries expected in the second quarter of 2021.

(6) As of May 12, 2021, the RAL segment had 10 off-lease aircraft repossessed in 2020 which it is currently in the process of remarketing, and the RAS segment had 18 Dash 8-300s which exited the Covered Aircraft fleet under the CPA. Of the 10 off-lease aircraft in the RAL segment, eight aircraft have amortizing debt obligations outstanding against them. All 18 Dash 8-300s in the RAS segment are pledged as security for the 6.00% Debentures but do not have amortizing debt obligations outstanding against them.

(7) The RAS segment changes includes 2021 CPA Amendments resulting in the removal of the Dash 8-300s. In addition, the table has also been changed to reflect only actual owned aircraft earning leasing revenue under the CPA thereby resulting in the removal of the five to be determined 75-78 seat aircraft transactions.

(8) RAS segment aircraft breakdown: 34 Dash 8-400s and 14 CRJ900s.

Capital expenditures in 2021, including capitalized major maintenance overhauls but excluding expenditures for the acquisition of aircraft and the ESP, are expected to be between \$26.0 million and \$35.0 million. Aircraft related acquisitions and ESP capital expenditures in 2021 are expected to be between \$35.0 million and \$45.0 million.⁽¹⁾

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Planned 2021⁽¹⁾ \$	Actual	
		Three months ended March 31, 2021 \$	Year ended December 31, 2020 \$
Capital expenditures, excluding aircraft acquisitions and ESP	8,000 to 12,000	430	11,727
Capitalized major maintenance overhauls ⁽²⁾	18,000 to 23,000	3,622	7,529
Aircraft related acquisitions and ESP	35,000 to 45,000	32,576	386,881
	61,000 to 80,000	36,628	406,137

- (1) The 2021 plan includes one CRJ900 in the RAS segment and reconfiguration costs on off-lease aircraft in the RAL segment which have been converted using a foreign exchange rate of 1.2575, the March 31, 2021 closing day rate from the Bank of Canada.
- (2) The 2021 plan includes between \$8.0 million to \$12.0 million of costs that are expected to be included in Controllable Costs. Actual 2021 and 2020 costs includes \$1.4 million and \$6.1 million, respectively which were included in Controllable Costs.

5 FLEET

The following table provides the total number of aircraft in Chorus' fleet as at March 31, 2021 and December 31, 2020.

(unaudited)	December 31, 2020	2021 Fleet Changes			March 31, 2021	Owned
		Additions	Removals	Transfers		
Regional Aircraft Leasing						
Third-Party Leased Aircraft						
CRJ900s	2	—	—	—	2	2
CRJ1000s	4	—	—	—	4	4
Dash 8-400s	23	—	—	—	23	23
E190s	4	—	—	—	4	4
E195s	2	—	—	—	2	2
ATR72-600s	22	—	—	—	22	22
A220-300s	5	—	—	—	5	5
Total Regional Aircraft Leasing	62	—	—	—	62	62
Regional Aviation Services						
Covered Aircraft Leased Under the CPA						
Dash 8-400s	34	—	—	—	34	34
CRJ900s	13	1	—	—	14	14
Dash 8-300s ⁽¹⁾	15	—	—	(15)	—	—
	62	1	—	(15)	48	48
Other Covered Aircraft						
CRJ200s	15	—	—	—	15	—
CRJ900s	21	—	—	—	21	—
Dash 8-300s ⁽¹⁾	4	—	—	(4)	—	—
Dash 8-400s	9	—	(4)	—	5	—
Total Other Covered Aircraft	49	—	(4)	(4)	41	—
Jazz Other Aircraft						
Dash 8-300s - Charter	1	—	—	—	1	1
Dash 8-300s - Other ⁽¹⁾⁽²⁾	—	—	—	19	19	19
Total Jazz Other Aircraft	1	—	—	19	20	20
Voyageur Aircraft						
CRJ200s	7	—	—	—	7	7
King Air 200s	2	—	—	—	2	2
Dash 8-100s ⁽³⁾	7	—	—	—	7	7
Dash 8-300s ⁽⁴⁾	5	—	—	—	5	5
Dash 8-400s	1	—	—	—	1	1
Total Voyageur Aircraft	22	—	—	—	22	22
Non-Operational Aircraft						
Dash 8-100s ⁽²⁾	16	—	—	—	16	16
Total Non-Operational Aircraft	16	—	—	—	16	16
Total Regional Aviation Services	150	1	(4)	—	147	106
Total Aircraft	212	1	(4)	—	209	168

(1) 19 Dash 8-300s were removed from the Covered Aircraft per the 2021 CPA Amendments.

(2) Chorus plans to sell, part-out or operate these aircraft.

(3) Includes three aircraft leased to a third party.

(4) 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, 2021 compared to the three months ended March 31, 2020. 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,			
	2021	2020	Change	Change
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$	\$	\$	%
Operating revenue	202,487	349,931	(147,444)	(42.1)
Operating expenses	239,383	303,239	(63,856)	(21.1)
Operating (loss) income	(36,896)	46,692	(83,588)	(179.0)
Net interest expense	(24,856)	(20,207)	(4,649)	(23.0)
Foreign exchange gain (loss)	4,754	(39,432)	44,186	112.1
Gain on property and equipment	—	16	(16)	100.0
Loss before income tax	(56,998)	(12,931)	(44,067)	(340.8)
Income tax recovery (expense)	18,919	(4,363)	23,282	533.6
Net loss	(38,079)	(17,294)	(20,785)	(120.2)
Adjusted EBITDA ⁽¹⁾	84,041	88,581	(4,540)	(5.1)
Adjusted EBT ⁽¹⁾	19,130	29,239	(10,109)	(34.6)
Adjusted net income ⁽¹⁾	15,744	23,822	(8,078)	(33.9)

(1) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Consistent with the overall aviation sector, Chorus continues to be challenged by decreased passenger demand related to the impact of global travel restrictions along with health concerns related to COVID-19 which has impacted Chorus' results.

For the three months ended March 31, 2021, consolidated operating revenue decreased 42.1% compared to the same period last year. Decreased revenue in the RAS segment was attributable to the decline in Controllable Cost Revenue and Pass-Through Revenue as a result of the economic impact of COVID-19; partially offset by increased other revenue due to increased third-party MRO activity and increased contract flying. Decreased revenue in the RAL segment for the three months ended March 31, 2021 was attributable to the loss of revenue from off-lease aircraft, partially offset by an increase in aircraft earning lease revenue over the prior period.

Operating expenses decreased 21.1% for the three months ended March 31, 2021 over the comparative period with the decrease related to lower salaries, wages and benefits due to the CEWS government grant and lower FTE's, lower stock-based compensation, decreased engine overhaul maintenance events and decreased Pass-Through Costs. These decreases were offset by one-time restructuring costs related to the 2021 CPA Amendments, expected credit loss provisions and lease repossession costs.



Net interest expense increased 23.0% for the three months ended March 31, 2021 compared to the same period last year due to additional long-term borrowings related to aircraft acquisitions throughout 2020 and first quarter 2021, additional credit facilities as well as the de-recognition of hedge accounting on one of the interest rate swaps resulting from the planned repayment of secured indebtedness.

Foreign exchange gain increased for the three months ended March 31, 2021 compared to the same period last year primarily related to the change in unrealized foreign exchange on long-term debt of \$45.4 million. The RAS 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 RAL segment's functional currency is the US dollar.

Income taxes decreased for the three months ended March 31, 2021 compared to the same period last year primarily due to a reduction in EBT.

7 SEGMENTED ANALYSIS

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

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	\$	\$	\$	\$	\$	\$
Operating revenue	167,760	34,727	202,487	307,836	42,095	349,931
Operating expenses	215,191	24,192	239,383	282,835	20,404	303,239
Operating (loss) income	(47,431)	10,535	(36,896)	25,001	21,691	46,692
Net interest expense	(11,989)	(12,867)	(24,856)	(8,772)	(11,435)	(20,207)
Foreign exchange gain (loss)	9,078	(4,324)	4,754	(38,981)	(451)	(39,432)
Gain on property and equipment	—	—	—	16	—	16
(Loss) earnings before income tax	(50,342)	(6,656)	(56,998)	(22,736)	9,805	(12,931)
Income tax recovery (expense)	18,264	655	18,919	(2,853)	(1,510)	(4,363)
Net (loss) income	(32,078)	(6,001)	(38,079)	(25,589)	8,295	(17,294)
Operating (loss) income	(47,431)	10,535	(36,896)	25,001	21,691	46,692
Depreciation and amortization excluding impairment ⁽¹⁾	20,405	17,391	37,796	21,292	16,823	38,115
Impairment provisions ⁽¹⁾	33,663	—	33,663	—	5,913	5,913
Inventory provision ⁽¹⁾	9,090	—	9,090	—	—	—
Employee separation program ⁽¹⁾⁽²⁾	26,716	—	26,716	3,883	—	3,883
Defined benefit pension curtailment ⁽¹⁾	9,975	—	9,975	—	—	—
Integration costs ⁽¹⁾	2,000	—	2,000	—	—	—
Signing bonuses ⁽¹⁾	707	—	707	—	—	—
Lease repossession costs ⁽¹⁾	—	990	990	—	(6,022)	(6,022)
Adjusted EBITDA⁽³⁾	55,125	28,916	84,041	50,176	38,405	88,581
(Loss) earnings before income tax	(50,342)	(6,656)	(56,998)	(22,736)	9,805	(12,931)
Impairment provisions ⁽¹⁾	33,663	—	33,663	—	5,913	5,913
Inventory provision ⁽¹⁾	9,090	—	9,090	—	—	—
Employee separation program ⁽¹⁾⁽²⁾	26,716	—	26,716	3,883	—	—
Defined benefit pension curtailment ⁽¹⁾	9,975	—	9,975	—	—	—
Integration costs ⁽¹⁾	2,000	—	2,000	—	—	—
Signing bonuses ⁽¹⁾	707	—	707	—	—	—
Lease repossession costs ⁽¹⁾	—	990	990	—	(6,022)	(6,022)
Unrealized foreign exchange (gain) loss	(11,124)	4,111	(7,013)	37,554	842	38,396
Adjusted EBT⁽³⁾	20,685	(1,555)	19,130	18,701	10,538	29,239

(1) Included in operating expenses.

(2) Includes \$26.3 million related to pilot early retirement program costs as part of the 2021 CPA Amendments.

(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

Operating (Loss) Income

The RAS segment reported first quarter operating loss of \$47.4 million, a decrease of \$72.4 million compared to the same period last year.

The results for the quarter were impacted by:

- one-time restructuring costs of \$81.8 million related to the 2021 CPA Amendments as follows:
 - aircraft impairment and inventory provisions on the Dash 8-300s of \$42.8 million;
 - early pilot retirement program costs of \$26.3 million;
 - defined benefit pension plan curtailment of \$10.0 million;
 - integration costs for the E175s of \$2.0 million; and
 - signing bonuses of \$0.7 million for Jazz pilots;
- decreased Fixed Margin of \$2.4 million in accordance with the CPA contract;
- decreased capitalization of major maintenance overhauls on owned CPA aircraft of \$2.4 million over the previous period; partially offset by
- decreased stock-based compensation of \$7.1 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 - Equity Price Risk);
- increased aircraft leasing revenue under the CPA of \$2.5 million primarily due to nine incremental CRJ900s partially offset by the removal of the Dash 8-300s and a lower US dollar exchange rate;
- increased other revenue due to an increase in third-party MRO activity and contract flying; and
- decreased general administrative expenses.

Non-Operating Expenses

The strengthening of the Canadian dollar versus the US dollar resulted in foreign exchange gains quarter-over-quarter. These 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 increased \$4.9 million for the three months ended March 31, 2021 compared to the same period last year primarily due to changes described above for operating income excluding the one-time restructuring costs of \$39.0 million related to the 2021 CPA Amendments.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 aircraft and five spare engines
- Current net book value of \$995.2 million¹
- Approximately \$1,042.7 million in future contracted lease revenue^{1,2,3}
- Current weighted average fleet age of 4.8 years^{1,4}
- Current weighted average remaining lease term of 8.5 years^{1,4}
- 100% debt is fixed rate
- Current weighted average cost of borrowing of 3.37%

¹ This includes only the 48 aircraft and five spare engines.

² The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to extended leases under the CPA. 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.

³ Refer to Section 24 - Caution Regarding Forward-Looking Information.

⁴ 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

The RAL segment reported an operating income of \$10.5 million, a decrease of \$11.2 million compared to the same period last year.

The results for the quarter were impacted by:

- the loss of revenue due to off-lease aircraft and a lower US dollar exchange rate;
- a change in lease repossession costs of \$7.0 million due to a recovery in the first quarter of 2020 of \$6.0 million versus an expense in the first quarter of 2021 of \$1.0 million; and
- an expected credit loss provision of \$2.5 million primarily related to the rent relief arrangements; partially offset by
- a change in depreciation and impairment expense due to no impairment provision in the first quarter of 2021 versus \$5.9 million in the same period last year; and
- increased revenue due to new leases added in the second half of 2020 that are earning additional lease revenue.

Non-Operating Expenses

Net interest expense increased for the three months ended March 31, 2021 primarily due to the de-recognition of hedge accounting on one of the interest rate swaps resulting from the planned repayment of secured indebtedness.

Adjusted EBT

Adjusted EBT decreased by \$12.1 million for the three months ended March 31, 2021 as a result of lower leasing margins attributable to the increase of off-lease aircraft and an expected credit loss provision, partially offset by additional aircraft on lease earning revenue.

Portfolio

Committed Fleet¹

- Committed fleet of 62 aircraft, including 10 off-lease aircraft to be remarketed
- Approximately US \$751.0 million in future contracted lease revenue^{1,2}

Current Fleet (as at March 31, 2021)

- Current net book value of approximately US \$1.2 billion
- Current weighted average fleet age of 3.9 years³
- The RAL segment has limited net exposure to changes in the interest rates due to its debt and contract terms of 95.3% fixed rate debt (inclusive of floating rate debt that is fixed through the use of swaps) and the remaining 4.7% 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 3.92%⁴

¹ Includes all aircraft with signed lease agreements on the report out date.

² Refer to Section 24 - Caution Regarding Forward-Looking Information.

³ Fleet age is calculated based on the weighted-average of aircraft net book value.

⁴ Reflects actual borrowings as at March 31, 2021 only.

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily 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 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, 2021 and December 31, 2020.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	March 31, 2021	December 31 2020	Change
	\$	\$	\$
Equity			
Capital	288,475	288,475	—
Contributed surplus	1,039,832	1,039,832	—
Deficit	(722,680)	(684,375)	(38,305)
Exchange differences on foreign operations	(12,431)	(5,570)	(6,861)
Equity component of Convertible Units	2,981	2,981	—
	596,177	641,343	(45,166)
Long-term debt	2,115,019	2,182,606	(67,587)
Lease liabilities	13,071	11,985	1,086
Total capital	2,724,267	2,835,934	(111,667)

As at May 3, 2021 and December 31, 2020, the issued and outstanding Shares of Chorus were as follows:

	May 3, 2021	December 31, 2020
Total issued and outstanding Shares	177,650,888	161,867,388
Shares potentially issuable Stock-based compensation plans and Warrants	3,000,130	2,365,837
Total outstanding and potentially dilutive Shares	180,651,018	164,233,225

In addition, and subject to adjustment in certain circumstances, up to 24,242,424 Shares are issuable at a price of \$8.25 per Share upon the exercise of the Stapled Warrants and up to 7,891,750 Shares are issuable at a price of \$6.20 per Share upon the exercise of the Unit Warrants, and up to 11,417,322 Shares are issuable upon conversion of all of the 6.00% Unsecured Convertible Debentures by the holders thereof. Furthermore, Shares are issuable to participants in the Corporation's DRIP (as described below) each time a dividend is declared and paid on the Shares.

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.

Long-term debt

Long-term debt consists of the following:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	March 31, 2021	December 31, 2020
	\$	\$
Secured long-term debt and credit facilities⁽¹⁾		
Amortizing term loans		
Secured by aircraft	1,518,339	1,579,555
Secured by engines	6,698	7,178
Warehouse credit facility	157,077	162,792
Nova Scotia Jobs Fund loan - secured by office building	7,000	7,000
Operating credit facility	30,000	30,000
6.00% Debentures	200,000	200,000
	1,919,114	1,986,525
Unsecured long-term debt⁽¹⁾		
5.75% Unsecured Debentures	86,250	86,250
Unsecured Revolving Credit Facility	125,750	127,320
	2,131,114	2,200,095
Less:		
Deferred financing fees	(14,444)	(15,741)
Accretion discount on Convertible Units	(1,651)	(1,748)
	2,115,019	2,182,606
Current portion ⁽²⁾	216,756	216,796
	1,898,263	1,965,810

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian currency at 1.2575 which was the exchange rate in effect at closing on March 31, 2021 (December 31, 2020 - 1.2732).

(2) The current portion of long-term debt in the above table includes deferred financing fees of \$3.3 million for the period ended March 31, 2021 (December 31, 2020 - \$3.3 million).

The principal attributes of Chorus' long-term debt facilities are summarized below and summaries are qualified in their entirety by the specific terms and conditions of the relevant indentures and agreements. For full details, of the terms of the 6.00% Debentures, the Stapled 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 3.59%, maturing between June 2021 and February 2033, each secured primarily by the aircraft and engines financed by the loans, as well as an assignment of any leases in respect thereof.

In December 2020, Chorus amended the loan deferral program repayment terms from 12 months to 18 months beginning in January 2021. Chorus' loan deferral program with EDC allowed it to defer scheduled payments under certain aircraft loans to the end of 2020 so long as the lease rent under the corresponding leases was deferred. The remaining balance deferred as of March 31, 2021 was \$32.9 million (US \$26.2 million) (December 31, 2020 - \$40.1 million (US \$31.5 million)). In April 2021, Chorus made a repayment on the loan deferrals in the amount of \$33.9 million (US \$26.9 million).

In December 2020, Chorus also amended the terms of its aircraft loans with its largest lender in order to remove the remarketing period deadline in respect of aircraft repossessed up to April 24, 2021. This eliminates the requirement to repay the principal amount of the loans prior to maturity if the aircraft are not re-leased by the end of the remarketing period so long as Chorus continues to make the regularly scheduled principal and interest payments and otherwise complies with the loan terms.

As of March 31, 2021, Chorus had 13 aircraft off-lease. The aggregate scheduled principal payments on long-term debt, associated with these off-lease aircraft is, as follows:

Aircraft Type	Number of Aircraft	Total Debt	Remarketing Period
		<i>(US\$ Millions)</i>	
Dash 8-400 ⁽¹⁾	2	8.6	July 30, 2021
Dash 8-400 ⁽¹⁾	3	Nil	Not Applicable
CRJ900	2	29.4	Indefinite ⁽²⁾
ATR72-600	6	62.4	Indefinite ⁽²⁾
Total	13	100.4	

- (1) One Dash 8-400 has been delivered to National Jet Express, a subsidiary of Cobham Aviation Services, and two Dash 8-400s are pending delivery to Sky Alps of Bolzano, Italy, expected in the second quarter of 2021. The financing must be repaid if the aircraft is not delivered by July 30, 2021. (Refer to Section 24 - Caution Regarding Forward-Looking Information.)
- (2) Loans with remarketing period exemptions provided that Chorus continues to make the regularly scheduled principal and interest payments and otherwise comply with the loan terms.

The engine loans are repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.24%, maturing between February 2022 and May 2028, each secured primarily by one PW150A engine.

Chorus' warehouse 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 2.90%, amortizing to January 2025, each secured primarily by the aircraft financed by the loans and a security assignment of the leases in respect thereof. 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, 2021, Chorus was in compliance with all of these financial covenants.

Convertible Units

In December 2016, the Corporation 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.

Transaction costs are capitalized and offset against the debt and equity portions of the Convertible Units and amortized over the life of the Convertible Units using the effective interest rate.

The related 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 the Corporation may be required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Warrants.

The related Warrants are exercisable by the holder thereof by paying the exercise price of \$8.25 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 the Corporation and the business day immediately preceding the maturity date of the 6.00% Debentures. The Warrants also include customary anti-dilution provisions.

24,242,424 Shares are issuable upon the exercise of all of the Warrants. 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, the Corporation 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.

The 5.75% Unsecured Debentures are not convertible by the holders thereof into Shares at any time.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the 5.75% Unsecured Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the 5.75% Unsecured Debentures on redemption or at maturity through, in whole or in part, the issuance of Shares at a price equal to 95% of the then Current Market Price (as defined in the indenture). In addition, and subject to the aforementioned conditions, the Corporation may, at its option, satisfy its obligation to pay interest on the 5.75% Unsecured Debentures by delivering Shares to the trustee under the indenture governing the 5.75% Unsecured Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

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 debentures using the effective interest rate.

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

Loan facilities

Operating credit facility

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, 2021, \$30.0 million was drawn under the facility. Chorus has provided letters of credit totaling \$9.7 million that reduce the amount available under this facility. The facility bears interest for Canadian dollar advances at Canadian Prime or Base Rate US dollar London Interbank Offered Rate ("LIBOR") plus 1.75% - 3.00% and for US dollar advances at BA Borrowing or LIBOR plus 2.75% - 4.00%. LIBOR rates are due to be phased out by the end of 2021 for US dollar advances at which time the interest rate on such loans will either default to a new agreed upon benchmark replacement or such loans will be converted into Canadian dollar borrowings and bear interest at Canadian Prime or Base Rate. 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, a minimum ratio of EBITDA to fixed charges, and a minimum EBITDA target. As at March 31, 2021, Chorus was in compliance with these covenants.

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

Warehouse credit facility for aircraft acquisitions

In December 2020, Chorus amended the terms of its warehouse credit facility for aircraft acquisitions to, among other things, cancel the remaining available credit under the facility and eliminate the associated commitment fees. The March 31, 2021 balance outstanding under this facility was US \$124.9 million (CAD \$157.1 million).

All loans under this facility were repayable at a rate of 5.00% annually until January 21, 2021. Effective January 22, 2021, the loans are repayable based on a 12-year straight-line full pay-out schedule, adjusted for the age of the aircraft at the time they were added to the facility, until they mature in January 2025. Chorus may prepay loans under this facility at any time in whole or in part, subject to a US \$5.0 million minimum prepayment.

The facility bears interest at US dollar LIBOR plus 2.75% until the start of the term-out period and ranging from LIBOR plus 3.00% - 4.75% thereafter until maturity.

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, 2021, Chorus was in compliance with these covenants.

Unsecured revolving credit facility

In April 2020, the Corporation obtained a two year, US \$100.0 million unsecured revolving credit facility from EDC. 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, an event of default that would be triggered upon the acceleration of Chorus indebtedness in excess of US \$10.0 million and an event of default triggered upon an event of default under any other indebtedness owed by Chorus to the lender. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA. The Corporations' obligations to pay principal and interest under this facility rank at least pari passu in right of payment with all unsecured and unsubordinated indebtedness. In the event that Chorus enters into an agreement with an arm's length lender, prior to April 28, 2022, pursuant to which additional unsecured indebtedness may be incurred (other than to repay, refinance, amend or modify existing indebtedness), the Corporation is required to repay this facility in an amount equal to 35% of such additional indebtedness.

In connection with the issuance of the 6.00% Unsecured Convertible Debentures on April 6, 2021, EDC agreed to a one-time waiver of the 35% repayment obligation under the US \$100.0 million unsecured revolving debt facility in exchange for repayment of deferred amounts under secured aircraft loans in the amount of \$33.9 million.

In December 2020, Chorus amended the terms of this facility to replace a bullet repayment of the entire facility at maturity in April 2022 with repayment over eight equal instalments of principal and interest starting in July 2022 and ending in April 2024.

Total scheduled principal payments on long-term debt on March 31, 2021, excluding unamortized deferred financing fees, are as follows:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$
No later than one year	221,321
Later than one year and no later than five years	1,339,352
Later than five years	570,441
	2,131,114

Capital raise in April 2021

On April 6, 2021, the Corporation raised gross proceeds of \$145.1 million pursuant to a concurrent public offering and private placement of Equity Units and 6.00% Unsecured Convertible Debentures. The net proceeds, after transactions costs, was \$138.0 million. Transaction costs are capitalized and offset against the debt and equity portions of the 6.00% Unsecured Convertible Debentures and amortized over the life of the debentures using the effective interest rate.

Pursuant to the issuance of Equity Units, the Corporation issued 15,783,500 Shares from treasury and 7,891,750 Unit Warrants. Each Unit Warrant entitles the holder thereof to purchase one Share at an exercise price of \$6.20 per warrant share until April 6, 2022.

The Corporation issued \$72.5 million aggregate principal amount of 6.00% Unsecured Convertible Debentures which bear interest at a rate of 6% per annum, and mature on June 30, 2026. Subject to adjustment in certain circumstances, the 6.00% Unsecured Convertible Debentures are convertible at the holder's option into 157,4803 Shares per \$1,000 principal amount of such debentures, initially representing a conversion price of \$6.35 per Share. If all of the 6.00% Unsecured Convertible Debentures were converted by the holders thereof based on the current conversion rate, 11,417,322 Shares would be issuable pursuant to such conversion.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the 6.00% Unsecured Convertible Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the 6.00% Unsecured Convertible Debentures, plus any accrued and unpaid interest, on redemption or at maturity through, in whole or in part, the issuance of Shares at a price equal to 95% of the then current market price (as defined in the indenture). In addition, subject to the aforementioned conditions, the Corporation may issue Shares to the trustee under the indenture for the 6.00% Unsecured Convertible Debentures for sale, with the proceeds used to satisfy the interest payment obligation. The 6.00% Unsecured Convertible Debentures trade on the TSX under the symbol CHR.DB.B.

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.

Chorus' largest lender currently holds approximately 60% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes 10% under the unsecured revolving credit facility, Chorus Aviation Capital (Ireland) Limited owes 40% under aircraft loans, the Jazz Group owes approximately 50% under aircraft loans, and Voyageur owes approximately 1% under aircraft loans. The Corporation's indebtedness under the revolving facility is cross-defaulted to any event of default under any other loan between this lender and the Corporation or any of its

subsidiaries. In addition, approximately 40% of Chorus Aviation Capital's indebtedness to this lender is cross-defaulted to any payment default by Jazz Leasing (which is a member of the Jazz Group). Further, all loans with this lender extended to Chorus Aviation Capital are cross-defaulted and cross-collateralized with each other, and all loans with this lender extended to the Jazz Group are cross-defaulted and cross-collateralized with each other. Finally, all loans with Chorus' largest lender, and indeed with all lenders, contain customary event of default clauses that may be triggered when any other financial indebtedness of the borrowers or guarantors thereunder (subject to prescribed thresholds) is in default or is declared due prior to its scheduled maturity. The foregoing is a general summary only and is qualified in its entirety by the specific terms and conditions of Chorus' loan agreements.

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. Excluding revolving debt facilities, at March 31, 2021, 97.4% of Chorus' term 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 34.0% 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 credit facility for aircraft acquisitions, 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. Certain of the interest rate swaps are designated and effective as cash flow hedges.

The fair value of interest rate swaps was a \$8.9 million liability at March 31, 2021 (\$11.7 million liability as at December 31, 2020) and is recorded in other long-term liabilities. Changes in the fair value of effective interest rate swaps are recorded in other comprehensive income and ineffective interest rate swaps are recorded in income. During the three months ended March 31, 2021, Chorus recognized other comprehensive gain of \$3.9 million, net of tax (March 31, 2020 - other comprehensive loss of \$9.8 million, net of tax). During the three months ended March 31, 2021, Chorus recognized a \$1.8 million loss on an ineffective interest rate swap in income (March 31, 2020 - \$nil). Should Chorus be required to repay loans associated with these swaps, it would also be required, in most cases to close out the related swap agreements and settle any amounts owing.

In July 2017 the U.K. Financial Conduct Authority announced that the LIBOR will be phased out by the end of 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, 2021, Chorus had 25 loans which totaled \$280.6 million and 11 derivative agreements which referenced notional amounts totaling \$229.5 million that will be impacted by the transition from LIBOR to another benchmark rate as they mature after December 31, 2021. Chorus continues to monitor, and plan for, the transition to alternative rates and does not anticipate any 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 the 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, 2021.

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 RAS 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 RAL division by borrowing in the same currencies as the related lease revenues.

The amount of US dollar denominated financial assets was \$96.8 million and US denominated financial liabilities was \$665.8 million at March 31, 2021. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately \$5.7 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 hedges the variability of Chorus' Share price affecting settlement under its various stock-based compensation programs with a Total Return Swap. The current swap is for 3.6 million shares at \$4.27 and matures in February 2022. 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 \$0.8 million asset at March 31, 2021 and is recorded in other long-term assets (\$8.1 million liability as at December 31, 2020 recorded in other long-term liabilities). During the three months ended March 31, 2021, a corresponding gain of \$2.3 million, which includes a settlement of \$6.6 million, has been recorded in operating income (March 31, 2020 - \$15.3 million loss, including \$4.2 million related to settlement). For additional information, please refer to note 3(j) and 3(k), Significant Accounting Policies, of the audited consolidated financial statements of Chorus for the year ended December 31, 2020.

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.

Consistent with the overall aviation sector, Chorus continues to be challenged by decreased passenger demand related to the impact of global travel restrictions along with health concerns related to COVID-19.

As of March 31, 2021, Chorus' liquidity was \$171.3 million including cash of \$136.0 million and \$35.3 million of available room on a committed revolving debt facility. Liquidity decreased from the fourth quarter of 2020 by approximately \$29.7 million primarily due to certain payments related to the 2021 CPA Amendments of

approximately \$17.0 million and debt repayments of \$56.0 million, offset by the collection of the 2020 Controllable Cost Guardrail receivable of \$44.2 million.

During the quarter, Chorus generated cash flow from operations of \$38.2 million. Key liquidity movements during the quarter are as follows:

- Decreased receivable from Air Canada of \$27.2 million primarily related to the reconciliation and collection of the 2020 Controllable Cost Guardrail.
- Increased CAC lease receivables by \$11.4 million to \$67.7 million of which \$5.7 million is the long-term portion, primarily related to rent relief arrangements.
- Increased restricted cash by \$3.0 million primarily related to CAC.
- Increased accounts payable of \$21.2 million primarily due to the pilot early retirement program costs.
- Decreased cash of \$56.0 million due to repayment of long-term borrowings.
- Decreased cash of \$11.5 million due to additions of property and equipment, net of financing.

On April 6, 2021, Chorus completed a concurrent public offering and private placement of Equity Units and Unsecured Convertible Debentures for gross proceeds of \$145.1 million. The net proceeds, after transaction costs, was approximately \$138.0 million (refer to Section 8 - Capital Structure). Chorus used a portion of the proceeds to repay loan deferrals in the amount of \$33.9 million (US \$26.9 million). Chorus also plans to pay down additional secured indebtedness by approximately \$75.0 million. Repayment on these secured debt facilities will bring the carrying value of CAC's unencumbered fleet to approximately \$140.0 million (US \$110.0 million) and will also reduce Chorus' restricted cash requirements by approximately \$10.0 million.

Chorus 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 remarket the off-lease aircraft previously on lease to and manage rent relief with its leasing customers (refer to Section 24 - Caution Regarding Forward-Looking Information).

Working Capital

Chorus' working capital is typically not a good measure of its liquidity due to the fact that current liabilities include the current portion of long-term debt, whereas current assets do not include the current portion of the long-term aircraft operating 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, 2021 balance sheet was \$65.1 million (December 31, 2020 - \$1.8 million). The current portion of contracted aircraft operating lease receivables as at March 31, 2021 is estimated to be approximately \$136.6 million converted to CAD at the March 31, 2021 rate of 1.2575. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately \$71.5 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 or disruptions such as the current pandemic.

Chorus' leverage ratio (measured as Adjusted net debt to trailing 12-month Adjusted EBITDA) was 5.8 as at March 31, 2021 (December 31, 2020 - 5.8). Leverage remained consistent in the first quarter 2021 compared to the year ended December 31, 2020 (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, 2021 and March 31, 2020.

	Three months ended March 31,	
	2021 \$	2020 \$
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>		
Cash provided by operating activities	38,232	48,977
Cash used in financing activities	(31,830)	(27,208)
Cash used in investing activities	(33,733)	(25,282)
Cash flow from operating, financing and investing activities	(27,331)	(3,513)
Effect of foreign exchange rate changes on cash	(2,399)	6,994
Net change in cash during the periods	(29,730)	3,481
Cash – Beginning of periods	165,717	87,167
Cash – End of periods	135,987	90,648

The figures in the preceding table exclude restricted cash of \$40.6 million as at March 31, 2021 (December 31, 2020 - \$38.5 million).

For the three months ended March 31, 2021, restricted cash increased by \$3.0 million due to restricted cash covenants related to the RAL segment.

Cash provided by operating activities

Consistent with the overall aviation sector, Chorus continues to be challenged by decreased passenger demand related to the impact of global travel restrictions along with health concerns related to COVID-19.

Chorus had cash inflows from operations of \$38.2 million for the three months ended March 31, 2021, compared to cash inflows from operations of \$49.0 million for the three months ended March 31, 2020. The decrease was primarily due to a decrease in net income excluding non-cash items offset by non cash changes in working capital and other charges. Receivables decreased primarily due to the decrease in the receivables from Air Canada; offset by increased receivables related to rent relief arrangements and the CEWS program, combined with an accounts payable increase primarily due to an accrual for the pilot early retirement program costs.

Cash used in financing activities

Cash used in financing activities for the three months ended March 31, 2021 was \$31.8 million, comprised primarily of scheduled payments on long-term borrowings of \$56.0 million, offset by \$25.1 million of borrowings, net of financing fees on a new loan related to an aircraft acquisition.

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 used in investing activities

Cash used in investing activities for the three months ended March 31, 2021 was \$33.7 million, which includes capital expenditures of \$36.6 million for the acquisition of one aircraft and the reconfiguration costs on certain off-lease aircraft, as well as major maintenance overhauls and other capital expenditures and increased restricted cash of \$3.0 million. This was partially offset by increased security deposits and maintenance reserves of \$5.3 million related to leased aircraft.

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.

Capital expenditures

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

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Three months ended March 31,		
	2021 \$	2020 \$	Change \$
Capital expenditures, excluding aircraft acquisitions and ESP	430	3,507	(3,077)
Capitalized major maintenance overhauls	3,622	3,952	(330)
Aircraft acquisitions and ESP ⁽¹⁾⁽²⁾	32,576	2,526	30,050
Total capital expenditures	36,628	9,985	26,643

(1) 2021 includes the acquisition of one CRJ900 and reconfiguration costs on certain off-lease aircraft.

(2) 2020 includes the completion of one ESP.

Commitments for capital expenditures

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 three Dash 8-300s by no later than December 31, 2022 for a total additional investment commitment of approximately \$3.0 million (refer to Section 24 - Caution Regarding Forward-Looking Information).

Dividends

On April 6, 2020, Chorus suspended its monthly dividend of \$0.04 per Share following the payment of the dividends payable on April 17, 2020 to Shareholders of record on March 31, 2020. Dividends are subject to the discretion of Chorus' Board of Directors, and there can be no assurance that dividends will be resumed.

Chorus did not declare dividends for the three months ended March 31, 2021 (2020 - \$19.5 million).

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 Voyager business refer to the Section 8 - Capital Structure of this MD&A and the Section entitled "Risk Factors" in Chorus' Annual Information Form dated February 18, 2021.

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, 2020 and 2019).

12 CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with GAAP requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include employee future benefits, depreciation and amortization of long-lived assets and impairment. These estimates are based on historical experience and management's best knowledge of current events and actions that Chorus may undertake in the future. By their nature, estimates and judgements may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates.¹

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of revision and future periods if the revision affects both current and future periods.

COVID-19

The COVID-19 pandemic has led to worldwide economic uncertainty with companies around the globe trying to manage through this unprecedented, ever changing event. For the aviation industry, it has led to decreased passenger demand due to strict travel restrictions and health concerns which has impacted all airlines around the world.

Airlines are currently operating with historically low passenger volumes and revenues, which is stressing their liquidity the longer the pandemic and associated travel restrictions persist. The duration and impact of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of the pandemic is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect Chorus' operations, financial results and condition in future periods are also subject to significant uncertainty.

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, 2020 and 2019.

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, amortization and impairment expense. A 10% reduction to the residual values of aircraft would result in an increase of approximately \$6.8 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 for impairment 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 disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested. For the three months ended March 31, 2021, Chorus recorded impairment provisions of \$33.7 million (three months ended March 31, 2020 - \$5.9 million).

In assessing recoverable amounts, Chorus makes significant estimates and assumptions about the expected useful lives and the expected residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types, and considers contractual cash flows, the creditworthiness of its lessees and Chorus' anticipated utilization of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption of 2.0%. The December 31, 2020 value in use was 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 disposition, discounted at 7.25%.

The fair value less cost to dispose is estimated with reference to third party market data less cost to dispose. The estimation of value in use for aircraft showing an indicator of impairment requires the use of significant judgement in the assessment of estimated future cash flows associated with the aircraft and its eventual disposition (including potential impacts due to COVID-19). Future cash flows are assumed to occur under current market conditions and/or current contractual lease agreements and assume adequate time for a sale between a willing buyer and seller. Changes in the expected cash flows, expected residual value, inflation rate and discount rate assumptions could have a material impact on Chorus' conclusion.

Impairment of financial assets

Chorus' principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables resulting from its leasing activities.

Chorus has entered into rent relief arrangements with substantially all its lessees. If COVID-19 and associated government restrictions continue for a prolonged period of time, the risks associated with the payment of deferred and future lease payments could significantly increase.

Chorus uses the IFRS 9 simplified approach to measure the allowance for ECL which uses a lifetime expected loss for all trade receivables, deferred receivables and long-term receivables by establishing a provision matrix that is

based on Chorus' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant judgements are made in determining these factors. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

For aircraft rent receivable, Chorus assesses, on a lessee by lessee basis, losses expected with its rent receivables. In determining the allowance for expected credit losses, Chorus takes into account recent payment history and future expectation of default events. Chorus' assessment is subjective due to the forward-looking nature of the situation. As a result, the allowance for ECL is subject to a significant degree of uncertainty and is made based on judgements regarding possible future events which may not prove to be correct due to the significant uncertainty caused by COVID-19.

Due mainly to the COVID-19 pandemic and related government restrictions on travel, during the three months ended March 31, 2021, Chorus recorded a charge related to allowance for expected credit loss of trade and other receivables of \$2.5 million (three months ended March 31, 2020 - \$nil), which is included in operating expense.

13 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2020 consolidated financial statements, except for the following:

Contract assets

Chorus recognized contract assets on the application of IFRS 16, for work performed related to leasehold improvements on contract combination aircraft. As a lease no longer exists for these aircraft, the work is viewed as services provided to Air Canada that are accounted for under IFRS 15.

Contract assets are also recognized when costs are incurred to obtain a contract with a customer that would otherwise not have been incurred. During the quarter, Chorus recorded a contract asset of \$20.0 million in connection with the transfer and integration of the E175s into the Covered Aircraft fleet. Chorus will amortize the balance over the remaining life of the CPA contract and has recorded amortization expense of \$0.3 million in the quarter.

Government grants and assistance

In response to the economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy was retroactive to March 15, 2020 and ends September 2021. The qualification and application of the CEWS is assessed over multiple four-week application period segments.

In addition, the Government of Canada announced the Canada Emergency Rent Subsidy ("CERS") program in November 2020. CERS provides a rent and property tax subsidy for companies that demonstrate a decline in revenue. This subsidy was retroactive to September 27, 2020 and ends June 2021. The qualification and application of the CERS is assessed over multiple four-week application period segments.

Chorus recognizes government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. Chorus recognizes government grants as a reduction to the related expense that the grant is intended to offset. Chorus has recognized government grants of \$25.0 million related to the CEWS and \$0.7 million related to the CERS for the three months ended March 31, 2021, respectively (three months ended March 31, 2020 - \$nil).

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 9 of Chorus' annual MD&A dated February 18, 2021. 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, long-term receivables included in other assets, finance lease receivables, Total Return Swap, accounts payable and accrued liabilities, dividends payable, long-term incentive plan liability, 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, long-term receivables included in other assets, 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:

- Finance lease receivables

At March 31, 2021, the finance lease receivables had a fair value of \$8.4 million versus a carrying value of \$7.8 million. Chorus' annual cash flows have been discounted at the relevant market interest rates.

- Amortizing term loans

At March 31, 2021, the term loans had a fair value of \$1,515.5 million versus a carrying value of \$1,678.5 million, excluding deferred financing fees of \$9.3 million. The fair values were calculated by discounting the future cash flow of the respective long-term debt at relevant market interest rates of similar debt instruments.

- 6.00% Debentures

At March 31, 2021, the Convertible Units had a fair value of \$214.5 million versus a carrying value of \$198.3 million, excluding deferred financing fees of \$2.2 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, 2021, the 5.75% Unsecured Debentures had a fair value of \$83.9 million versus a carrying value of \$86.3 million, excluding deferred financing fees of \$3.0 million. The fair value is based on quoted prices observed in active markets.

- Unsecured revolving credit facility

At March 31, 2021, the unsecured revolving credit facility had a fair value of \$121.9 million versus a carrying value of \$125.7 million. The fair value of unsecured revolving credit facility is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

- Interest rate swaps

At March 31, 2021, the interest rate swap liability had a fair value and carrying value of \$8.9 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, 2021, the Total Return Swap asset had a fair value and carrying value of \$0.8 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, 2021, 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 Chorus' 2020 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 2021 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, the 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 2021 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, 2021 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

Chorus revised its definition of Adjusted net income in the first quarter of 2021 to include the Dash 8-300 inventory provision, the defined benefit pension curtailment resulting from the pilot early retirement program and integration costs related to the 2021 CPA Amendments to facilitate comparability of its results.

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, impairment provisions, lease repossession costs net of security packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, strategic advisory fees and the applicable tax expense (recovery). 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).

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the first quarter of 2021 to include the Dash 8-300 inventory provision, the defined benefit pension curtailment resulting from the pilot early retirement program and integration costs related to the 2021 CPA Amendments to facilitate comparability of its results. Adjusted EBT and 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.

EBT is defined as earnings before income tax. Adjusted EBT (EBT before signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment, integration 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, impairment provisions, lease repossession costs net of security packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment, integration 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, depreciation, amortization and impairment 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, impairment provisions, lease repossession costs net of security packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment and integration costs, 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, impairment provisions, lease repossession costs net of security

packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment, integration 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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars, except per Share amounts)</i>	Three months ended March 31,		
	2021 \$	2020 \$	Change \$
Net loss	(38,079)	(17,294)	(20,785)
Add (Deduct) items to get to Adjusted net income			
Impairment provisions ⁽¹⁾	33,663	5,913	27,750
Inventory provision ⁽¹⁾	9,090	—	9,090
Employee separation program ⁽¹⁾⁽²⁾	26,716	3,883	22,833
Defined benefit pension curtailment ⁽¹⁾	9,975	—	9,975
Integration costs ⁽¹⁾	2,000	—	2,000
Signing bonuses ⁽¹⁾	707	—	707
Lease repossession costs ⁽¹⁾	990	(6,022)	7,012
Unrealized foreign exchange (gain) loss	(7,013)	38,396	(45,409)
Tax recovery on adjusted items	(22,305)	(1,054)	(21,251)
	53,823	41,116	12,707
Adjusted net income	15,744	23,822	(8,078)
Adjusted net income per Share - basic	0.10	0.15	(0.05)
<i>Add items to get to Adjusted EBT</i>			
Income tax (recovery) expense	(18,919)	4,363	(23,282)
Tax recovery on adjusted items	22,305	1,054	21,251
Adjusted EBT	19,130	29,239	(10,109)
<i>Add (Deduct) items to get to Adjusted EBITDA</i>			
Net interest expense	24,856	20,207	4,649
Depreciation and amortization excluding impairment	37,796	38,115	(319)
Foreign exchange loss	2,259	1,036	1,223
Gain on disposal of property and equipment	—	(16)	16
	64,911	59,342	5,569
Adjusted EBITDA	84,041	88,581	(4,540)

(1) Included in operating expenses.

(2) Includes \$26.3 million related to the pilot early retirement program costs as part of the 2021 CPA Amendments.

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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	March 31, 2021 \$	December 31, 2020 \$	Change \$
Long-term debt (including current portion)	2,128,090	2,194,591	(66,501)
Less: Cash	(135,987)	(165,717)	29,730
Net debt	1,992,103	2,028,874	(36,771)
Adjusted net debt	1,992,103	2,028,874	(36,771)
Adjusted EBITDA	342,914	347,454	(4,540)
Leverage ratio	5.8	5.8	—

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, 2021, Adjusted net debt decreased from \$2,028.9 million to \$1,992.1 million, representing a decrease of \$36.8 million or 1.8% from December 31, 2020. The decrease was primarily related to \$56.9 million in scheduled payments on long-term borrowings and lease liabilities and the impact of a lower US dollar exchange rate which decreased long-term debt by approximately \$39.5 million, offset by increased long-term borrowings of \$25.1 million, net of financing fees comprised of a new loan related to one aircraft acquisition.

Adjusted EBITDA decreased for the trailing 12-months March 31, 2021 primarily due to lower lease margins attributable to off-lease aircraft and expected credit loss provisions in the RAL segment and decreased other revenue due to decreased third-party MRO activity and reduced contract flying resulting from the economic impact of COVID-19; offset by increased aircraft leasing revenue under the CPA.

Chorus' leverage ratio (Adjusted net debt to trailing 12-month Adjusted EBITDA) was 5.8 as at March 31, 2021 (December 31, 2020 - 5.8). Leverage was consistent for March 31, 2021 compared to year ended December 31, 2020.

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.

	Three months ended March 31,		
	2021	2020	Change
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$	\$	\$
Cash Provided by Operating Activities	38,232	48,977	(10,745)
Add (Deduct)			
Net changes in non-cash balances related to operations	(18,468)	16,169	(34,637)
Capital expenditures, excluding aircraft acquisitions and ESP	(430)	(3,507)	3,077
Capitalized major maintenance overhauls	(3,622)	(3,952)	330
Adjusted Cash Provided by Operating Activities	15,712	57,687	(41,975)

Adjusted cash provided by operating activities was negatively impacted by:

- the one-time restructuring costs of \$39.0 million related to the 2021 CPA Amendments, excluding the non-cash impairment and inventory provisions of \$42.8 million related to the Dash 8-300s; and
- lower lease margins attributable to off-lease aircraft and expected credit loss provisions in the RAL segment; offset by
- increased other revenue due to an increase in third-party MRO activity and contract flying; and
- increased aircraft leasing revenue under the CPA.

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 12-months ended		
	March 31, 2021 \$	December 31, 2020 \$	Change \$
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>			
Income before income taxes	2,916	46,983	(44,067)
Unrealized foreign exchange gain	(88,147)	(42,738)	(45,409)
	(85,231)	4,245	(89,476)
Add:			
Finance costs	95,900	91,782	4,118
	10,669	96,027	(85,358)
Invested capital:			
Average long-term debt ⁽¹⁾	2,031,491	2,002,868	28,623
Average lease liabilities ⁽²⁾	14,392	14,151	241
Average Shareholders' equity	602,520	623,168	(20,648)
	2,648,403	2,640,187	8,216
Return on invested capital	0.4%	3.6%	(3.2)%

(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 trailing 12-months ended March 31, 2021, the average return on invested capital decreased from 3.6% to 0.4% due to one-time restructuring costs related to the 2021 CPA Amendments of \$81.8 million.

19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

<i>(unaudited)</i>	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Chorus								
Total revenue (\$000)	202,487	218,166	196,617	184,007	349,931	338,606	351,454	332,520
Net (loss) income (\$000)	(38,079)	9,157	20,458	29,165	(17,294)	36,577	24,195	38,941
Adjusted net income ⁽¹⁾ (\$000)	15,744	7,667	10,908	21,644	23,822	23,267	29,154	24,156
Adjusted EBITDA ⁽¹⁾ (\$000)	84,041	81,972	85,859	91,042	88,581	88,636	92,639	85,720
Net (loss) income per Share, basic (\$)	(0.24)	0.06	0.13	0.18	(0.11)	0.23	0.15	0.25
Net (loss) income per Share, diluted (\$)	(0.24)	0.06	0.12	0.18	(0.11)	0.23	0.15	0.24
Adjusted net income, ⁽¹⁾ per Share - basic (\$)	0.10	0.05	0.07	0.13	0.15	0.15	0.18	0.15
FTE employees (end of period)	2,567	2,875	2,810	2,164	4,973	4,910	4,985	4,938
Number of aircraft (end of period)	209	212	208	214	211	213	199	184
Jazz								
Departures	8,924	13,145	13,788	4,894	50,817	56,299	60,111	56,415
Block Hours	12,681	19,222	20,447	6,776	77,454	84,950	90,540	82,938
Billable Block Hours	15,478	24,246	26,194	38,187	90,499	87,532	91,391	83,903

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

20 REGIONAL AVIATION SERVICES REVENUE

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Three months ended March 31,			
	2021 \$	2020 \$	Change \$	Change %
Controllable Cost Revenue	79,394	188,457	(109,063)	(57.9)
Pass-Through Revenue	12,390	46,666	(34,276)	(73.4)
Fixed Margin	16,430	18,810	(2,380)	(12.7)
Incentive Revenue	527	308	219	71.1
	108,741	254,241	(145,500)	(57.2)
Aircraft leasing under the CPA	35,950	33,461	2,489	7.4
Other ⁽¹⁾	23,069	20,134	2,935	14.6
	167,760	307,836	(140,076)	(45.5)

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

21 CONSOLIDATED STATEMENTS OF LOSS

	Three months ended March 31,	
	2021	2020
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$	\$
Operating revenue	202,487	349,931
Operating expenses		
Salaries, wages and benefits	100,567	135,975
Depreciation, amortization and impairment	71,459	44,028
Aircraft maintenance materials, supplies and services	29,885	49,219
Airport and navigation fees	9,494	38,388
Terminal handling services	923	5,006
Other	27,055	30,623
	239,383	303,239
Operating (loss) income	(36,896)	46,692
Non-operating (expenses) income		
Interest revenue	135	666
Interest expense	(24,991)	(20,873)
Gain on disposal of property and equipment	—	16
Foreign exchange gain (loss)	4,754	(39,432)
	(20,102)	(59,623)
Loss before income taxes	(56,998)	(12,931)
Income tax recovery (expense)		
Current income tax	(1,501)	(5,298)
Deferred income tax	20,420	935
	18,919	(4,363)
Net loss	(38,079)	(17,294)

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;

"**2021 CPA Amendments**" means the amendments to the 2015 CPA (as amended by the 2019 CPA Amendments) described in the Corporation's Material Change Report dated March 19, 2021;

"**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;

"**6.00% Unsecured Convertible Debentures**" means the 6.00% Convertible Senior Unsecured Debentures of the Corporation due June 30, 2026;

"**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;

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

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

"**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 Cost 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 Cost 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 Stapled 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 on March 11, 2020;

"CPA" means the 2015 CPA as amended and extended by the 2019 CPA Amendments and further amended by the 2021 CPA Amendments;

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

"Departure" means one take off of an aircraft;

"E175", **"E190"** and **"E195"** means, respectively, Embraer E175, Embraer E190 and Embraer E195 E jet aircraft;

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

"EBT" means earnings before income tax;

"Equity Units" means units issued by the Corporation on April 6, 2021, each of which was comprised of one Share and one-half Share purchase warrant;

"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;

"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);

"**RAL**" means the Regional Aircraft Leasing segment which leases aircraft to its customers through CAC;

"**RAS**" means the Regional Aviation Services segment which includes contract flying, charter operations and maintenance, repair and overhaul services that is carried on by both Jazz and Voyageur as well as corporate expenses;

"**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;

"**Stapled Warrants**" means the warrants exercisable to acquire Shares at a price of \$8.25 per Share which were issued by the Corporation as part of the Convertible Units;

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

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

"**Unit Warrants**" means the warrants exercisable to acquire Shares at a price of \$6.20 per Share which were issued by the Corporation as part of the Equity Units;

"**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 the Stapled Warrants and the Unit Warrants.

24 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes 'forward-looking information'. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "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 indicated in the forward-looking information.

Examples of forward-looking information in this MD&A include the discussion in the Outlook section, as well as statements regarding expectations as to Chorus' future liquidity and financial strength and contracted revenues, the recovery of domestic air traffic in Canada and around the world, Chorus' future growth and the completion of pending transactions (including the delivery of the Dash 8-400 aircraft to Sky Alps) referenced in the Outlook section. Actual results may differ materially from results indicated in forward-looking information for a number of reasons, 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 Chorus' contractual counterparties, changes in aviation industry and general economic conditions, the continued payment (in whole or in part) of amounts due under the CPA, the risk of disputes under the CPA, Chorus' ability to pay its indebtedness and otherwise remain in compliance with its debt covenants, the risk of cross defaults under debt agreements and other significant contracts, the risk of asset impairments and provisions for expected credit losses, a failure to conclude transactions (including potential financings) referenced in this MD&A, as well as the factors identified in the risk factors in Section 8 - Capital Structure and Section 10 - Risk Factors of this MD&A and in Chorus' public disclosure record available at www.sedar.com. The forward-looking statements contained in this MD&A represent Chorus' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. Chorus disclaims any intention or obligation to update or revise such statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws. Readers are cautioned that the foregoing factors and risks are not exhaustive.