chorus aviation inc.

Fourth Quarter and Year-End 2022

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

February 15, 2023

INTRODUCTION

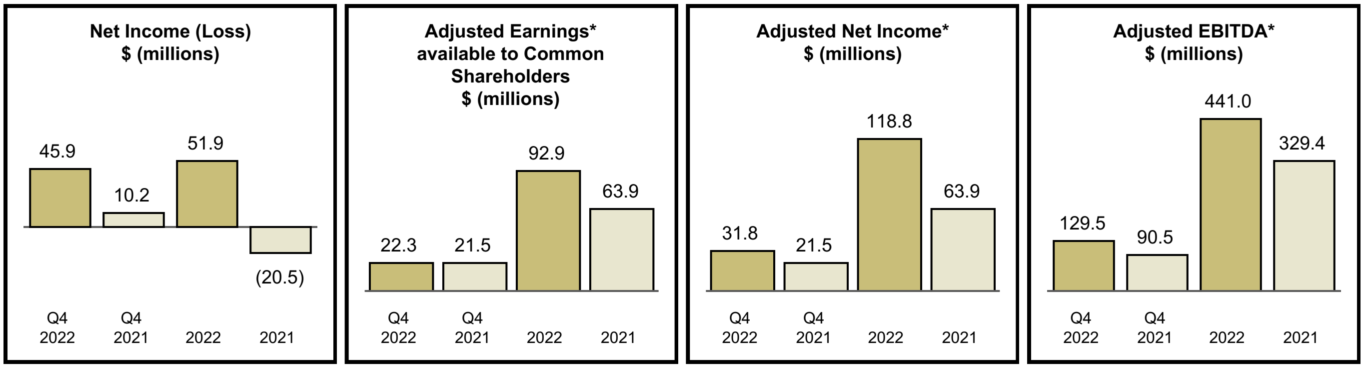
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 25 - Glossary of Terms for definition 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 audited consolidated financial statements of Chorus and the notes therein for the years ended December 31, 2022 and 2021 and Chorus' 2022 Annual Information Form dated February 15, 2023. 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 February 15, 2023.

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.

Q4 2022 Financial Highlights:

- Net income of $45.9 million, a quarter-over-quarter increase of $35.7 million.
- Adjusted earnings available to Common Shareholders of $22.3 million, or $0.11 per Common Share, an increase of $0.8 million quarter-over-quarter, net of dividends declared on the Preferred Shares and non-controlling interest.
- Adjusted net income of $31.8 million, an increase of $10.4 million quarter-over-quarter primarily related to Falko's earnings and increased lease revenue from CACIL's re-leased aircraft.
- Adjusted EBITDA of $129.5 million, an increase of $39.1 million quarter-over-quarter.

Annual Financial Highlights:

- Net income of $51.9 million, a year-over-year increase of $72.4 million.
- Adjusted earnings available to Common Shareholders of $92.9 million, or $0.48 per Common Share, an increase of $29.0 million year-over-year net of dividends declared on the Preferred Shares and non-controlling interest.
- Adjusted net income of $118.8 million, an increase of $55.0 million year-over-year primarily due to eight months of Falko's earnings in 2022.
- Adjusted EBITDA of $441.0 million, an increase of $111.6 million year-over-year.

Business Highlights:

Chorus completed the Falko Acquisition in the second quarter of 2022 for US $843.7 million, establishing Chorus as the world's largest asset manager and aircraft lessor focused solely on regional aircraft leasing. The total consideration paid for the Falko Acquisition consisted of US $438.2 million of cash consideration and US $405.5 million of assumed indebtedness.

In connection with the Falko Acquisition, Chorus completed a private placement pursuant to which BSI Dragonfly Holdings LP, an affiliate of Brookfield Special Investments Fund L.P. ("**Brookfield**"), subscribed for US $300.0 million of Preferred Shares and US $74.0 million of Common Shares, and the Corporation issued to Brookfield 18,642,772 Common Share purchase warrants with an exercise price of $4.60 per Common Share (refer to Section 8 - Capital Structure – Falko Acquisition and Private Placement for further information).

Upon completing the Falko Acquisition, Chorus began executing on its strategy to transition to an asset light leasing model with opportunistic asset sales that generated proceeds, net of related debt repayments of $152.3 million inclusive of the fourth quarter 2022 sale of four wholly-owned aircraft for a net gain of $8.2 million and net proceeds of $79.6 million, after related debt repayments.

Chorus generated Free Cash Flow (formerly described as Adjusted Cash Provided by Operating Activities) of $371.3 million for the year ended December 31, 2022, an increase of $208.6 million from the prior year primarily related to strong operating cash flows due to Falko's earnings and improvement in RAS' operating income, and net proceeds on asset sales which was partially offset by capital expenditures (refer to Section 18 - Non-GAAP Financial Measures).

On December 29, 2022, the Corporation redeemed the remaining $115.0 million principal amount of its 6.00% Debentures, resulting in the release of certain Dash 8-100 and Dash 8-300 aircraft, real estate property and restricted cash of $16.1 million which were held as security for the 6.00% Debentures. In addition, the Stapled Warrants expired on the same day as the redemption of the 6.00% Debentures. The redemption of the 6.00% Debentures was funded using the net proceeds from the sale of wholly-owned aircraft and Chorus' available cash resources.

As of December 31, 2022, the Corporation purchased and cancelled 1,718,972 Common Shares since the start of its normal course issuer bid (the "**NCIB**") on November 14, 2022. The NCIB allows for the purchase and cancellation up to a maximum of 15,928,236 Common Shares. The NCIB expires on the earlier of the date on which the Corporation has purchased the maximum number of shares permitted under the NCIB and November 13, 2023 (refer to Section 8 - Capital Structure).

As a result of Chorus' year-over-year increase in Adjusted EBITDA of $111.6 million and significantly lower debt balances, Chorus' Leverage Ratio improved from its highest level of 6.4 as at June 30, 2022 to 4.4 as at December 31, 2022 (September 30, 2022 - 5.1; December 31, 2021 - 5.4). (Refer to Section 18 - Non-GAAP Financial Measures.)

Fourth Quarter Summary

In the fourth quarter of 2022, Chorus reported Adjusted EBITDA of $129.5 million, an increase of $39.1 million over the fourth quarter of 2021.

The RAL segment's Adjusted EBITDA was $67.5 million, an increase of $36.3 million primarily due to Falko's earnings inclusive of the net gain on sale of assets as well as increased lease revenue from CACIL's re-leased aircraft.

The RAS segment's Adjusted EBITDA was $67.5 million, an increase of $4.6 million. Fourth quarter results were impacted by:

- an increase in other revenue of $5.5 million due to an increase in parts sales and contract flying partially offset by a decrease in third-party MRO activity; and
- an increase in aircraft leasing revenue under the CPA of $2.7 million primarily due to a higher US dollar exchange rate; offset by
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.4 million; and
- an increase in general administrative expenses attributable to increased operations.

In the fourth quarter of 2022, Chorus began disclosing corporate head-office expenses separate from RAS, enabling a clearer assessment of RAS' operating performance (refer to Section 2 - About Chorus). Corporate Adjusted EBITDA or net expenses of $5.4 million was higher than the fourth quarter 2021 by $1.8 million, due to:

- an increase in general administrative expenses related to professional fees associated with the Falko Acquisition, higher salaries, wages and benefits and travel expenses than the prior quarter year due to the impact of COVID-19 in 2021; offset by
- a decrease in stock-based compensation of $0.4 million due to the change in fair value of the Total Return Swap offset by an increase in the Common Share price (refer to Section 8 - Capital Structure - Equity Price Risk).

Adjusted net income was $31.8 million for the quarter, an increase of $10.4 million over the fourth quarter of 2021 due to:

- a $39.1 million increase in Adjusted EBITDA as previously described; partially offset by
- an increase in depreciation expense of $14.9 million primarily attributable to Falko;
- an increase of $7.4 million in income tax expense;
- an increase in net interest costs of $4.2 million primarily related to interest on long-term debt assumed as part of the Falko Acquisition, partially offset by the repayment of certain aircraft financings and the partial redemption of the 6.00% Debentures in December 2021; and
- a change in net-foreign exchange of $1.3 million.

Net income increased $35.7 million over the fourth quarter of 2021 primarily due to:

- the previously noted increase in Adjusted net income of $10.4 million;
- an increase in net unrealized foreign exchange gains of $14.6 million;
- a decrease in impairment provision of $14.6 million; and
- a decrease in inventory provision of $1.0 million; partially offset by
- an increase in lease repossession costs of $2.5 million; and
- a decrease in income tax recoveries on adjusted items of $2.1 million.

Annual Summary

Chorus reported Adjusted EBITDA of $441.0 million for 2022, an increase of $111.6 million over the same prior year period.

The RAL segment's Adjusted EBITDA was $219.5 million, an increase of $108.2 million primarily due to the inclusion of eight months of earnings from Falko, net gain on sale of assets, the claims recoveries in the Virgin Australia and Aeromexico bankruptcies and increased lease revenue from CACIL's re-leased aircraft.

The RAS segment's Adjusted EBITDA was $248.8 million an increase of $14.0 million due to:

- an increase in other revenue of $15.2 million due to an increase in parts sales and contract flying and the sale of four Dash 8-100s that were held for resale partially offset by a decrease in third-party MRO activity;
- an increase in aircraft leasing revenue under the CPA of $5.6 million primarily due to a higher US dollar exchange rate; and

- an increase in capitalization of major maintenance overhauls on owned aircraft of $2.0 million; partially offset by
- an increase in general administrative expenses attributable to increased operations.

Corporate Adjusted EBITDA or net expenses of $27.2 million was higher than the 2021 by $10.6 million due to:

- an increase in stock-based compensation of $6.4 million due to one-time restructuring grants and an increase in the Common Share price, offset by the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk); and
- an increase in general administrative expenses related to professional fees associated with the Falko Acquisition, higher salaries, wages and benefits and higher travel expenses due to the impact of COVID-19 in 2021.

Adjusted net income of $118.8 million, an increase of $55.0 million over the same prior year period primarily due to:

- a $111.6 million increase in Adjusted EBITDA as previously described; partially offset by
- an increase in depreciation expense of $35.6 million primarily attributable to Falko;
- a $13.2 million increase in income tax expense offset by lower income tax recoveries on adjusted items;
- an increase in net interest costs of $4.5 million primarily related to interest on long-term debt assumed as part of the Falko Acquisition and interest on the Series B Debentures and Series C Debentures partially offset by the repayment of certain aircraft financings and the partial redemption of the 6.00% Debentures in December 2021;
- a decrease in gain on property and equipment of $1.6 million; and
- a loss on fair value of investments of $1.1 million.

Net income of $51.9 million, an increase of $72.4 million over the same prior year period primarily due to:

- the previously noted increase in Adjusted net income of $55.0 million; and
- one-time restructuring costs of $80.7 million in 2021 related to the 2021 CPA Amendments; offset by
- an increase in lease repossession costs of $19.1 million;
- a decrease in income tax recoveries on adjusted items of $16.1 million;
- an increase in restructuring credit loss provision of $10.4 million;
- a change in net foreign exchange of $8.7 million;
- strategic advisory fees related to the Falko Acquisition of $8.5 million;
- an increase in impairment provisions of $2.1 million in the RAL segment; and
- an increase in employee separation program costs, exclusive of the cost attributable to the pilot early retirement program and signing bonuses, of $1.9 million.

2 ABOUT CHORUS

Chorus is a global provider of regional and specialty aviation solutions which is headquartered in Halifax, Nova Scotia. Its principal subsidiaries are: Falko, the world’s largest asset manager and aircraft lessor focused solely on the regional aircraft leasing segment; Jazz, currently the sole operator of domestic and transborder regional flights under the Air Canada Express brand; and Voyageur, a provider of specialty air charter, aircraft modification, and parts provisioning services to regional aviation customers around the world. Together, Chorus’ subsidiaries provide support services that encompass every stage of a regional aircraft’s lifecycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, repurposing and transition; contract flying; aircraft and component maintenance, disassembly, and parts provisioning.

Corporate (Previously Disclosed in RAS)

In the fourth quarter of 2022, Chorus began disclosing corporate head-office expenses separate from RAS enabling a clearer assessment of RAS' operating performance. Corporate expenses include various debt instruments, such as interest on the 6.00% Debentures, the Series A Debentures, the Series B Debentures, the Series C Debentures, Unsecured Credit Facility, Unsecured Revolving Operating Credit Facility and Operating Credit Facility, executive and stock-based compensation and professional fees.

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 (described below).

    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. Air Canada makes all decisions with respect to flight scheduling and ticket sales, and bears all of the market risk associated with fluctuations in passenger ticket revenues.

       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 wholly-owned aircraft and five spare engines. Voyageur also earns revenue from aircraft leasing.

    c) Maintenance, repair and overhaul ("MRO"), part sales and technical services: Jazz provides 24/7 MRO services and is certified on Dash 8, CRJ, and Embraer 135, 145 and 175 aircraft. Voyageur provides specialty, MRO and engineering services on Dash and CRJ aircraft. Voyageur also focuses on aircraft disassembly, aircraft parts provisioning and sales offering for its global customers.

Jazz earns revenue under the CPA in five ways:

1. Fixed Margin

Jazz earns a Fixed Margin based on the number of Covered Aircraft under the CPA that does not vary based on flight activity.

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**”).

4. Pass-Through Revenue

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

Pass-Through Costs includes operational expenses that are reimbursed by Air Canada such as airport and navigation fees, and certain aircraft maintenance, materials and supplies. 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.

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, the minimum number of Covered Aircraft is set at 105. From January 1, 2026 through December 31, 2035, Air Canada will determine the composition of the Covered Aircraft fleet on the condition that the fleet must have a minimum of 80 aircraft with 75-78 seats (refer to Section 26 - Caution Regarding Forward-Looking Information).

2) Regional Aircraft Leasing: In the second quarter of 2022, Chorus completed the Falko Acquisition, significantly increasing RAL's portfolio of leased aircraft. Chorus rebranded its leasing business from "Chorus Aviation Capital" to "Falko Regional Aircraft" and on January 13, 2023, Chorus Aviation Capital (Ireland) Limited was renamed Falko (Ireland) Limited. The acquisition of Falko broadened RAL's revenue streams by adding fees for managing aircraft fully or partially-owned by third parties (referred to in this MD&A as Managed Aircraft) (refer to Section 5 - Fleet). RAL earns income as follows:

a) Earnings from Managed Aircraft

i) <u>Asset management fees</u>: RAL earns asset management fees for managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners;

ii) <u>Co-investment returns</u>: RAL earns co-investment returns from its equity investment in the Falko managed funds; and

iii) <u>Incentives fees</u>: RAL earns incentive fees from Falko-managed funds for exceeding investment performance targets.

b) Earnings from wholly or majority-owned aircraft

i) <u>Lease income</u>: RAL earns income from wholly or majority-owned aircraft leased to third-party air operators, commonly referred to as "dry leasing"; and

ii) <u>Asset sales</u>: RAL earns income from the sale of aircraft.

3 STRATEGY

Chorus is focused on providing a comprehensive suite of regional and specialty aviation services to customers around the world by drawing on its deep expertise in all areas of regional aviation operations.

The Chorus team is highly experienced in all facets of the regional aviation industry and offers aircraft leasing in addition to providing an integrated 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.

Chorus completed the Falko Acquisition in the second quarter of 2022, which included the Falko asset management platform and equity interests in aircraft owned or managed by Falko (refer to Section 2 - About Chorus). The Falko Acquisition provides Chorus with increased scale and diversity in regional aircraft leasing and the transition to a higher quality cash flow stream in the form of asset management fees. The Falko and CAC management teams have been integrated to benefit from economies of scale and to pursue new growth opportunities as the demand for regional aircraft continues to strengthen. The Falko team has deep experience and an excellent track record in raising capital, both equity and debt, and deployment of capital to generate mid-teens gross returns for fund investors. Chorus will grow the regional aircraft leasing through transitioning to an asset light model, utilizing third party equity to acquire and lease regional aircraft to airline customers globally and earning asset management fees and incentives from this managed capital. In addition, Chorus will make co-investments in the funds to provide further earnings growth. In particular, the newly-combined leasing business is expected to:

1) Provide a lower capital intensity approach to growing regional aircraft leasing.
2) Provide higher quality cash flow streams in the form of asset management fees.
3) Reduce leverage and balance sheet risk, thereby improving cash flow generation.
4) Enable Chorus to better serve the needs of its leasing customers by deploying larger tranches of equity capital alongside third-party fund investors.

Chorus currently generates strong and predictable earnings from its RAS businesses, which are predominantly contract based. As Chorus executes on its transition to an asset light leasing model total cash flows will be strengthened which will provide Chorus with a strong base to enable the return of capital to Shareholders in the form of share buybacks and/or dividends and re-investment in accretive regional and specialty businesses.

4 OUTLOOK

The discussion that follows includes forward-looking information. This outlook is provided for the purpose of providing information about current expectations for 2023. This information may not be appropriate for other purposes (refer to Section 26 - Caution Regarding Forward-Looking Information).

Chorus has the key elements to successfully execute on its strategy to transition to an asset light leasing model while growing its contractual fund management business and its RAS segment. The key elements include:

- Strong and predictable core earnings from the RAS segment, with the potential to expand into adjacent and complementary business lines;
- Significant wholly-owned or majority-owned aviation assets that can be monetized to reduce debt and return capital to Common Shareholders while also providing funding to improve the growth and return profile of the business over time through accretive investments; and
- Growing the Falko series of funds from which Chorus can generate attractive returns via asset management fees, co-investment returns and incentive payments.

The asset light leasing model will enable Chorus to achieve greater scale in its leasing business by co-investing alongside third-party equity investors in Falko-managed funds, while decreasing risk to Chorus by reducing the use of recourse debt financing. As Chorus transitions to an asset light leasing model, asset sales will generate Free Cash Flow that can be deployed to pursue accretive investment opportunities and/or return capital to Common Shareholders. As part of this asset light transformation, Chorus is targeting:

- **Aircraft asset sales**: Chorus intends to opportunistically trade RAL's wholly-owned or majority-owned aircraft including in connection with the windup of its 67.45% ownership in Ravelin Holdings LP by its tenth anniversary in 2025. As of December 31, 2022, Ravelin Holdings LP held an interest in 39 aircraft with a net book value of US $405.4 million and secured debt of US $228.6 million. As asset sales occur, the related leasing revenues in RAL will decrease, which will be partially offset by lower depreciation and debt servicing costs and earnings from Falko managed funds.
- **Reduced leverage**: Chorus anticipates its Leverage Ratio will be between 2.5 to 3.5 by December 31, 2024, given the contractual nature of Chorus' earnings, amortizing debt repayments, and the expectation for asset sales. Deleveraging amounts will vary from quarter-to-quarter depending on the timing and quantum of asset sales.
- **Growth**: The expansion of Falko managed funds and the RAS business into adjacent and complimentary specialty aviation business lines.

Chorus' forecast for the year ending December 31, 2023 is as follows:

(expressed in thousands of Canadian dollars)	**Consolidated**	
	From $	**To** $
Revenue[(1)(2)]	1,500,000	1,700,000
Adjusted EBITDA[(1)(3)]	410,000	450,000
Adjusted EBT[(1)(3)]	135,000	165,000
Net debt to Adjusted EBITDA[(1)(3)]	3.6x	4.0x
Free Cash Flow[(3)]	260,000	330,000

(1) RAL's forecast for the year ending December 31, 2023 is as follows: Revenue is expected to be between $240.0 million to $260.0 million, Adjusted EBITDA is expected to be between $210.0 million to $235.0 million and Adjusted EBT is expected to be between $70.0 million to $85.0 million.
(2) Controllable Costs and Pass-Through Costs are expected to be between $0.95 billion and $1.1 billion included in both revenue and expenses.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

2023 Key Economic Assumptions:

- The forecast assumes the launch in the first half of 2023 of a new investment fund managed by Falko with (i) a minimum of US $500.0 million in capital commitments and (ii) management fees and economic terms commensurate with those in Falko’s prior funds.
- The forecast revenue is based on current contracted lease revenue and forecasted revenues for leased aircraft and asset management fees. Aircraft leasing revenue under the CPA and Fixed Margin revenue is expected to be US $110.0 million and $63.0 million, respectively, in 2023. (2022: US $114.5 million and $66.3 million, respectively).

chorus aviation inc.

- Asset sales of approximately US $50.0 million to $100.0 million in 2023 with a loan-to-value of between 50% and 60% generating net proceeds between US $25.0 million and US $50.0 million. If material asset sales are executed in 2023, this may reduce expected revenue in RAL, depending on the timing of such sales.
- The forecast uses a foreign exchange rate of 1.30 for 2023 to translate USD to CAD revenue.

RAL's gross lease receivable may decrease from the December 31, 2022 balance of US $104.7 million to between US $95.0 million and US $100.0 million by the end of 2023 due to rent relief arrangements[1] and repayment expectations (refer to Section 22 - RAL breakdown for gross receivable balances as at December 31, 2022 and December 31, 2021).

RAL's lease deferral receivable exposure is partially mitigated by security packages held of approximately US $17.1 million (December 31, 2021 - US $21.1 million).

1 Following the onset of the COVID-19 pandemic, RAL received requests from many of its customers for some form of temporary rent relief, as they coped with an unprecedented reduction in demand for passenger air travel. Under rent relief arrangements, certain of which include lease term extensions, the repayment of the deferred amounts typically coincides with the lease term extensions.

Capital Expenditures

Capital expenditures in 2023 are expected as follows:

		Actual	
(expressed in thousands of Canadian dollars)	**Planned 2023(1)** **$**	**Year ended December 31, 2022** **$**	**Year ended December 31, 2021** **$**
Capital expenditures, excluding aircraft acquisitions	26,000 to 32,000	15,914	7,019
Capitalized major maintenance overhauls(2)	5,000 to 10,000	15,974	20,296
Aircraft acquisitions and improvements	5,000 to 8,000	30,392	47,392
	36,000 to 50,000	62,280	74,707

(1) The 2023 plan includes reconfiguration costs on aircraft and certain aircraft improvements in the RAL segment which have been converted to Canadian from US dollars using a foreign exchange rate of 1.3544, the December 31, 2022 closing day rate from the Bank of Canada.
(2) The 2023 plan includes between $3.0 million to $5.0 million of costs that are expected to be included in Controllable Costs. Actual 2022 and 2021 costs include $10.1 million and $8.1 million, respectively, which were included in Controllable Costs.

5 FLEET

As of December 31, 2022, Chorus' owned, managed and/or operated aircraft are as follows:

	Company	Segment	Aircraft Count
Aircraft Lease Portfolio[1]			
Wholly-owned aircraft	CACIL	RAL	62
Wholly or majority-owned aircraft	Falko	RAL	62
RAL wholly or majority-owned aircraft			124
Managed Aircraft[2]	Falko	RAL	88
RAL segment total[3]			212
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft lease portfolio subtotal			260
Other Owned and/or Operated Aircraft			
Leased aircraft under the CPA - other Covered Aircraft[4]	Jazz	RAS	58
Wholly-owned third-party leased and contract flying	Voyageur	RAS	22
Wholly-owned aircraft - non-operating[5][6]	Voyageur	RAS	17
RAS segment total[7]			145
Total[5][3]			**357**

(1) Aircraft in the lease portfolio includes certain off-lease aircraft, outlined in the following tables, which are to be re-leased.
(2) Chorus has a minority ownership interest in 53 aircraft and no ownership interest in 35 aircraft.
(3) RAL's total aircraft changed from the third quarter of 2022 due to the sale of four wholly or majority-owned aircraft and the sale of two managed aircraft.
(4) Excludes eight aircraft leased to Jazz which were acquired as part of the Falko Acquisition.
(5) Includes one Dash 8-100s and 16 Dash-300s.
(6) In 2022, Chorus sold four Dash 8-100s and reclassified 13 Dash 8-100s and one Dash 8-300, in accordance with its business plan, from property and equipment to assets held for resale.
(7) Inclusive of wholly-owned aircraft leased under the CPA.

Regional Aircraft Leasing

The following table provides the total number of wholly-owned or majority-owned aircraft in the RAL segment as at December 31, 2022:

		CACIL(1)	Falko		Total Owned Aircraft
Customer	**Aircraft Type**	#	#	Ownership %	#
Aeromexico	E190	3	—		3
Air Austral S.A.	ATR72-500	—	2	67.45%	2
Air Canada	CRJ200	—	7	100.00%	7
Air Nostrum	CRJ1000	4	—		4
AirBaltic	A220-300	5	—		5
Airlink(2)	E190	—	5	67.45%	5
Azul	ATR72-600	3	—		3
	E190	—	3	67.45%	3
	E190	—	4	100.00%	4
	E195	2	—		2
BA City Flyer	E190	—	2	67.45%	2
Ciel	ATR72-500	—	10	67.45%	10
CityJet	CRJ900	2	6	100.00%	8
Croatia Airlines	Dash 8-400	2	2	67.45%	4
Emerald	ATR72-600	6	—		6
Ethiopian	Dash 8-400	5	—		5
Gorm Light Blue	E190	—	2	67.45%	2
HOP!	E190	—	2	67.45%	2
Indigo	ATR72-600	8	—		8
JamboJet	Dash 8-400	3	—		3
KLM Cityhopper	E190	1	4	67.45%	5
Malindo	ATR72-600	4	—		4
National Jet Express	E190	—	1	67.45%	1
	Dash 8-400	1	—		1
Philippine Airlines	Dash 8-400	2	—		2
Republic	E170	—	5	100.00%	5
Scandinavian(2)	E190	—	4	67.45%	4
Sky Alps	Dash 8-400	2	—		2
SpiceJet	Dash 8-400	5	—		5
TUI Belgium	E190	—	1	67.45%	1
Waltzing Matilda	Dash 8-400	2	—		2
Wings Air	ATR72-600	1	—		1
Off-lease	Dash 8-400/E190	1	2	100.00%	3
		62	**62**		**124**

(1) CACIL has 100% ownership interest in all of its aircraft.
(2) One aircraft (with Scandinavian) is to be delivered in the first quarter of 2023. All pending lease commitments are subject to satisfaction of customary conditions precedent to closing.

The following table provides the total number of Managed Aircraft in the RAL segment as at December 31, 2022:

		Falko Managed	
Customer	**Aircraft Type**	#	Ownership %
American Airlines	CRJ-700	3	3.85%
Azul	E190	6	3.85%
Blue Island	ATR72-500	1	3.85%
Croatia Airlines	Dash 8-400	2	3.85%
Delta	CRJ900	11	3.85%
Indigo	ATR72-600	5	3.85%
Jazz	CRJ900	1	3.85%
Logan Air	ATR72-500	1	9.09%
LOT	E170	6	3.85%
Republic	E170	3	3.85%
Saimer	CRJ1000	2	3.85%
Skytrans	Dash 8-100	2	3.85%
US Bangla	ATR72-600	1	3.85%
Off-lease	E170	4	3.85%
	E190	5	3.85%
Financial institutions	33 ATRs; 2 Dash 8-400	35	nil
		88	

Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at December 31, 2022:

	#	Owned
Covered Aircraft Leased Under the CPA		
Dash 8-400	34	34
CRJ900	14	14
Total Covered Aircraft Leased Under the CPA	48	48
Other Covered Aircraft		
CRJ200(1)	15	—
CRJ900(1)	21	—
Dash 8-400	5	—
E175	25	—
Total Other Covered Aircraft	66	—
Leased from Falko	(8)	—
Total Aircraft	58	—
Voyageur Aircraft		
CRJ200	7	7
King Air 200	2	2
Dash 8-100(2)	5	5
Dash 8-300(3)	7	7
Dash 8-400	1	1
Total Voyageur Aircraft	22	22
Non-Operational Aircraft		
Dash 8-100(4)	1	1
Dash 8-300(4)	16	16
Total Non-Operational Aircraft	17	17
Total Regional Aviation Services	145	87

(1) Includes eight aircraft leased from Falko. Seven CRJ200s are wholly-owned by Falko and are leased to Air Canada and then further sub-leased to Jazz and one CRJ900 which is managed by Falko is also leased to Jazz.
(2) Includes five aircraft leased to a third party.
(3) Includes three aircraft leased to a third party.
(4) During the year 2022, Chorus sold four Dash 8-100s and reclassified 13 Dash 8-100s and one Dash 8-300, in accordance with its business plan, from property and equipment to assets held for resale.

chorus aviation inc.

6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three months and year ended December 31, 2022 compared to the three months and year ended December 31, 2021. 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 December 31,				Year ended December 31,			
(expressed in thousands of Canadian dollars)	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
Operating revenue	439,755	346,516	93,239	26.9	1,595,804	1,023,275	572,529	56.0
Operating expenses	367,150	309,952	57,198	18.5	1,407,538	952,296	455,242	47.8
Operating income	72,605	36,564	36,041	98.6	188,266	70,979	117,287	165.2
Net interest expense	(28,809)	(24,565)	(4,244)	17.3	(100,843)	(96,333)	(4,510)	4.7
Foreign exchange gain (loss)	14,146	899	13,247	1,473.5	(13,612)	(4,595)	(9,017)	196.2
Gain on property and equipment	16	7	9	128.6	172	1,725	(1,553)	(90.0)
Gain (loss) on fair value of investments	440	—	440	100.0	(133)	—	(133)	(100.0)
Other	—	344	(344)	100.0	—	344	(344)	100.0
Income (loss) before income tax	58,398	13,249	45,149	340.8	73,850	(27,880)	101,730	364.9
Income tax (expense) recovery	(12,546)	(3,090)	(9,456)	(306.0)	(21,933)	7,395	(29,328)	(396.6)
Net income (loss)	45,852	10,159	35,693	351.3	51,917	(20,485)	72,402	353.4
Net income attributable to non-controlling interest	650	—	650	100.0	3,027	—	3,027	100.0
Net income (loss) attributable to Shareholders	45,202	10,159	35,043	344.9	48,890	(20,485)	69,375	338.7
Preferred share dividends declared	(8,913)	—	(8,913)	100.0	(22,902)	—	(22,902)	100.0
Earnings (loss) attributable to Common Shareholders	36,289	10,159	26,130	257.2	25,988	(20,485)	46,473	(226.9)
Adjusted EBITDA(1)	129,542	90,463	39,079	43.2	441,046	329,440	111,606	33.9
Adjusted EBT(1)	44,956	27,209	17,747	65.2	150,937	82,742	68,195	82.4
Adjusted net income(1)	31,826	21,456	10,370	48.3	118,842	63,890	54,952	86.0

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

For the three months ended December 31, 2022, consolidated operating revenue increased 26.9%, compared to the same period last year. Increased revenue in the RAS segment was attributable to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales and contract flying partially offset by decreased MRO activity. Increased revenue in the RAL segment was primarily attributable to Falko, net gain on sale of assets and increased revenue from CACIL's re-leased aircraft.

For the year ended December 31, 2022, consolidated operating revenue increased 56.0%, compared to the same period last year. Increased revenue in the RAS segment was attributable to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales and contract flying and the sale of four Dash 8-100s that were held for resale offset by decreased MRO activity. Increased revenue in the RAL segment was primarily attributable to Falko, net gain on sale of assets, claims recoveries in the Virgin Australia and Aeromexico bankruptcies and increased revenue from CACIL's re-leased aircraft.

Operating expenses increased 18.5% for the three months ended December 31, 2022 compared to the same period last year primarily due to higher salaries, wages and benefits due to higher FTE counts and a decrease in the CEWS government grant, increased engine overhaul maintenance events, increased Pass-Through Costs, increased lease repossession costs, and increased operating expenses related to Falko offset by lower impairment provisions.

Operating expenses increased 47.8% for the year ended December 31, 2022 compared to the same period last year due to higher salaries, wages and benefits due to higher FTE counts and a decrease in the CEWS government grant, increased stock-based compensation, increased engine overhaul maintenance events, increased Pass-Through Costs, increased lease repossession costs, the restructuring expected credit loss provision and increased operating expenses related to Falko offset by a decrease in one-time restructuring costs of $80.7 million related to the 2021 CPA Amendments and lower impairment provisions.

Net interest expense increased 17.3% for the three months ended December 31, 2022 compared to the same period last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition partially offset by the repayment of certain aircraft financing and the partial redemption of the 6.00% Debentures in December 2021.

Net interest expense increased 4.7% for the year ended December 31, 2022 compared to the same period last year due to increased interest on long-term debt assumed as part of the Falko Acquisition, interest on the Series B Debentures and Series C Debentures partially offset by the repayment of certain aircraft financing and the partial redemption of the 6.00% Debentures in December 2021.

Foreign exchange gains increased for the three months ended December 31, 2022 compared to the same period last year primarily related to an increase in unrealized foreign exchange gains on long-term debt and working capital offset by unrealized foreign exchange losses on intercompany loans. The December 31, 2022 closing exchange rate was $1.3544 compared to $1.3707 at September 30, 2022.

Foreign exchange losses increased for the year ended December 31, 2022 compared to the same period last year primarily related to an increase in unrealized foreign exchange losses on long-term debt offset by unrealized foreign exchange gains on intercompany loans and working capital. The December 31, 2022 closing exchange rate was $1.3544 compared to $1.2678 at December 31, 2021.

Income tax expense increased for the three months and year ended December 31, 2022 compared to the same periods last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange losses.

7 SEGMENTED ANALYSIS

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

	For the three months ended December 31, 2022				For the three months ended December 31, 2021			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Operating revenue	355,393	84,164	198	439,755	313,213	33,021	282	346,516
Operating expenses	311,204	50,234	5,712	367,150	273,894	32,029	4,029	309,952
Operating income (loss)	44,189	33,930	(5,514)	72,605	39,319	992	(3,747)	36,564
Net interest expense	(4,143)	(16,249)	(8,417)	(28,809)	(5,320)	(9,398)	(9,847)	(24,565)
Foreign exchange gain (loss)	8,009	10,448	(4,311)	14,146	3,072	(2,156)	(17)	899
Gain on property and equipment	16	—	—	16	7	—	—	7
Gain on fair value of investments	—	440	—	440	—	—	—	—
Other	—	—	—	—	344	—	—	344
Earnings (loss) before income tax	48,071	28,569	(18,242)	58,398	37,422	(10,562)	(13,611)	13,249
Income tax (expense) recovery	(13,381)	(4,090)	4,925	(12,546)	(8,091)	1,317	3,684	(3,090)
Net income (loss)	**34,690**	**24,479**	**(13,317)**	**45,852**	**29,331**	**(9,245)**	**(9,927)**	**10,159**
Net income attributable to non-controlling interest	—	650	—	650	—	—	—	—
Net income (loss) attributable to Shareholders	34,690	23,829	(13,317)	45,202	29,331	(9,245)	(9,927)	10,159
Operating income (loss)	44,189	33,930	(5,514)	72,605	39,319	992	(3,747)	36,564
Depreciation and amortization excluding impairment(1)	23,119	28,370	68	51,557	20,160	16,399	56	36,615
Impairment provisions(1)	—	—	—	—	2,500	12,093	—	14,593
Inventory provision(1)	—	—	—	—	1,000	—	—	1,000
Lease repossession costs(1)	—	4,242	—	4,242	—	1,724	—	1,724
Gain on fund investments	—	935	—	935	—	—	—	—
Employee separation program(1)	203	—	—	203	(34)	—	—	(34)
Signing bonuses(1)	—	—	—	—	1	—	—	1
Adjusted EBITDA(2)	**67,511**	**67,477**	**(5,446)**	**129,542**	**62,946**	**31,208**	**(3,691)**	**90,463**
Earnings (loss) before income tax	48,071	28,569	(18,242)	58,398	37,422	(10,562)	(13,611)	13,249
Impairment provisions(1)	—	—	—	—	2,500	12,093	—	14,593
Lease repossession costs(1)	—	4,242	—	4,242	—	1,724	—	1,724
Inventory provision(1)	—	—	—	—	1,000	—	—	1,000
Unrealized foreign exchange (gain) loss	(9,938)	(11,040)	3,091	(17,887)	(5,060)	2,043	(307)	(3,324)
Employee separation program(1)	203	—	—	203	(34)	—	—	(34)
Signing bonuses(1)	—	—	—	—	1	—	—	1
Adjusted EBT(2)	**38,336**	**21,771**	**(15,151)**	**44,956**	**35,829**	**5,298**	**(13,918)**	**27,209**

(1) Included in operating expenses.
(2) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

(in thousands of Canadian dollars)	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	$	$	$	$	$	$	$	$
Operating revenue	1,332,732	262,121	951	1,595,804	892,024	130,126	1,125	1,023,275
Operating expenses	1,171,609	198,947	36,982	1,407,538	821,978	112,285	18,033	952,296
Operating income (loss)	161,123	63,174	(36,031)	188,266	70,046	17,841	(16,908)	70,979
Net interest expense	(18,026)	(51,175)	(31,642)	(100,843)	(21,004)	(43,630)	(31,699)	(96,333)
Foreign exchange (loss) gain	(27,590)	(6,683)	20,661	(13,612)	7,421	(8,707)	(3,309)	(4,595)
Gain on property and equipment	45	127	—	172	1,725	—	—	1,725
Loss on fair value of investments	—	(133)	—	(133)	—	—	—	—
Other	—	—	—	—	344	—	—	344
Earnings (loss) before income tax	115,552	5,310	(47,012)	73,850	58,532	(34,496)	(51,916)	(27,880)
Income tax (expense) recovery	(35,384)	760	12,691	(21,933)	(10,761)	4,104	14,052	7,395
Net income (loss)	**80,168**	**6,070**	**(34,321)**	**51,917**	**47,771**	**(30,392)**	**(37,864)**	**(20,485)**
Net income attributable to non-controlling interest	—	3,027	—	3,027	—	—	—	—
Net income (loss) attributable to Shareholders	80,168	3,043	(34,321)	48,890	47,771	(30,392)	(37,864)	(20,485)
Operating income (loss)	161,123	63,174	(36,031)	188,266	70,046	17,841	(16,908)	70,979
Depreciation and amortization excluding impairment(1)	86,200	95,655	259	182,114	80,176	66,091	270	146,537
Impairment provisions(1)	—	20,499	—	20,499	36,163	18,426	—	54,589
Restructuring expected credit loss provision(1)(2)	—	10,353	—	10,353	—	—	—	—
Inventory provision(1)	—	—	—	—	10,090	—	—	10,090
Employee separation program(1)(3)	1,449	847	—	2,296	26,685	—	—	26,685
Defined benefit pension curtailment(1)	—	—	—	—	8,868	—	—	8,868
Integration costs(1)	—	—	—	—	2,000	—	—	2,000
Signing bonuses(1)	—	—	—	—	722	—	—	722
Strategic advisory fees(1)	—	—	8,524	8,524	—	—	—	—
Gain on fund investments	—	935	—	935	—	—	—	—
Lease repossession costs(1)	—	28,059	—	28,059	—	8,970	—	8,970
Adjusted EBITDA(4)	**248,772**	**219,522**	**(27,248)**	**441,046**	**234,750**	**111,328**	**(16,638)**	**329,440**
Earnings (loss) before income tax	115,552	5,310	(47,012)	73,850	58,532	(34,496)	(51,916)	(27,880)
Impairment provisions(1)	—	20,499	—	20,499	36,163	18,426	—	54,589
Restructuring expected credit loss provision(1)(2)	—	10,353	—	10,353	—	—	—	—
Inventory provision(1)	—	—	—	—	10,090	—	—	10,090
Employee separation program(1)(3)	1,449	847	—	2,296	26,685	—	—	26,685
Defined benefit pension curtailment(1)	—	—	—	—	8,868	—	—	8,868
Integration costs(1)	—	—	—	—	2,000	—	—	2,000
Signing bonuses(1)	—	—	—	—	722	—	—	722
Strategic advisory fees(1)	—	—	8,524	8,524	—	—	—	—
Lease repossession costs(1)	—	28,059	—	28,059	—	8,970	—	8,970
Unrealized foreign exchange loss (gain)	26,229	5,765	(24,638)	7,356	(9,903)	8,154	447	(1,302)
Adjusted EBT(4)	**143,230**	**70,833**	**(63,126)**	**150,937**	**133,157**	**1,054**	**(51,469)**	**82,742**

(1) Included in operating expenses.
(2) Expected credit loss provision related to anticipated aircraft repossessions.
(3) Includes $26.3 million related to pilot early retirement program costs as part of the 2021 CPA Amendments.
(4) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

In the fourth quarter of 2022, Chorus began disclosing corporate head-office expenses separate from RAS enabling a clearer assessment of RAS' operating performance. Corporate head-office expenses include various debt instruments, such as interest on the 6.00% Debentures, the Series A Debentures, the Series B Debentures, the Series C Debentures, Unsecured Credit Facility, Unsecured Revolving Operating Credit Facility and Operating Credit Facility, executive and stock-based compensation and professional fees.

Operating Income

The RAS segment reported quarterly and annual operating income of $44.2 million and $161.1 million, an increase of $4.9 million and $91.1 million, respectively compared to the same periods last year.

The results for the quarter were impacted by:

- an increase in other revenue of $5.5 million due to an increase in parts sales and contract flying partially offset by a decrease in third-party MRO activity; and
- an increase in aircraft leasing revenue under the CPA of $2.7 million primarily due to a higher US dollar to CAD exchange rate; partially offset by
- an increase in general administrative expenses attributable to increased operations; and
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.4 million.

The year-to-date increase was primarily due to a decrease in one-time restructuring costs of $80.7 million related to the 2021 CPA Amendments, as well as:

- an increase in other revenue of $15.2 million due to an increase in parts sales and contract flying and the sale of four Dash 8-100s that were held for resale partially offset by a decrease in third-party MRO activity;
- an increase in aircraft leasing revenue under the CPA of $5.6 million primarily due to a higher US dollar to CAD exchange rate; and
- an increase in capitalization of major maintenance overhauls on owned aircraft of $2.0 million; partially offset by;
- an increase in general administrative expenses attributable to increased operations.

Non-Operating Expenses

The weakening of the Canadian dollar versus the US dollar resulted in foreign exchange gains quarter-over-quarter and foreign exchange losses year-over-year. These changes are primarily unrealized and are related to US dollar loans and also includes foreign exchange on working capital.

Adjusted EBITDA

Adjusted EBITDA increased $4.6 million and $14.0 million for the three months and year ended December 31, 2022 compared to the same period last year primarily due to changes described above for operating income.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $906.9 million
- Approximately US $595.1 million in future contracted lease revenue[1,2]
- Current weighted average fleet age of 6.6 years[3]
- Current weighted average remaining lease term of 6.8 years[3]
- 100% debt is fixed rate
- Current weighted average cost of borrowing of 3.35%

1 Refer to Section 26 - Caution Regarding Forward-Looking Information.
2 The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA. On October 27, 2022, three Q400 leases expiring in 2023 were extended to 2025.
3 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 $33.9 million for the three months ended December 31, 2022, an increase of $32.9 million compared to the same period last year.

The quarter-over-quarter results were impacted by:

- an increase in revenue of $49.1 million related to Falko consisting of $34.5 million in lease revenue, $8.2 million in net gain on sale of assets and $6.4 million in asset management fees; and
- an increase in CACIL's revenue due to increased lease revenue from re-leased aircraft; offset by
- increased expenses related to Falko.

The RAL segment reported an operating income of $63.2 million for the year ended December 31, 2022, an increase of $45.3 million compared to the same period last year.

The year-to-date results were impacted by:

- an increase in revenue of $122.0 million related to Falko consisting of $93.4 million in lease revenue, $10.9 million in net gain on sale of assets, $12.2 million in asset management fees and $5.5 million for claims recoveries in the Virgin Australia bankruptcy; and
- an increase in CACIL's revenue due to the recovery of its claims in the Virgin Australia and Aeromexico bankruptcies of $5.4 million and increased lease revenue from re-leased aircraft; offset by
- an increase in aircraft impairments, restructuring expected credit loss provisions and lease repossession charges primarily related to CACIL's portfolio in the second quarter of 2022 which resulted in a $45.6 million charge; and
- increased expenses related to Falko.

Non-Operating Expenses

Net interest expense increased for the three months and year ended December 31, 2022 compared to the same periods last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition; partially offset by the repayment of certain aircraft financing.

Adjusted EBT

Adjusted EBT increased by $16.5 million for the three months ended December 31, 2022 compared to the same period last year primarily due to Falko's earnings and increased lease revenue from re-leased aircraft.

Adjusted EBT increased by $69.8 million for the year ended December 31, 2022 compared to the same period last year primarily due to Falko's earnings, claims recoveries in the Virgin Australia and Aeromexico bankruptcies and increased lease revenue from re-leased aircraft.

Portfolio

Fleet *(as at December 31, 2022)*

- Fleet of 128 wholly or majority-owned aircraft
- Approximately US $811.7 million in future contracted lease revenue[1]
- RAL collected approximately 88.2% of lease revenue billed in the fourth quarter of 2022
- Current net book value of approximately US $1.6 billion
- Current weighted average fleet age of 8.1 years[2]
- Current weighted average remaining lease term of 4.8 years[2]
- The RAL segment has limited net exposure to changes in interest rates because 92.6% of its debt has fixed interest rates (inclusive of floating rate debt that is fixed through the use of swaps)
- Current weighted average cost of borrowing of 4.68%

1 Refer to Section 26 - Caution Regarding Forward-Looking Information.
2 Fleet age and remaining lease term is calculated based on the weighted-average of aircraft net book value.

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily of Common Shares, Preferred Shares and debt consisting of Series A Debentures, Series B Debentures, Series C Debentures, senior secured amortizing facilities, revolving loan facilities, lease liabilities and loans under the Regional 2021-1ABS.

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 cash or proceeds from the sale of surplus assets.

Chorus' capital structure was as follows as at December 31, 2022 and December 31, 2021.

(expressed in thousands of Canadian dollars)	December 31, 2022 $	December 31 2021 $	Change $
Equity			
Capital	788,698	356,611	432,087
Contributed surplus	1,037,801	1,039,832	(2,031)
Deficit	(702,412)	(707,908)	5,496
Exchange differences on foreign operations	28,437	(5,243)	33,680
Equity component of Convertible Units/debentures	2,683	5,664	(2,981)
Warrants	24,366	1,513	22,853
	1,179,573	690,469	489,104
Long-term debt	2,018,967	1,903,677	115,290
Lease liabilities	11,309	10,137	1,172
Total capital	3,209,849	2,604,283	605,566

As at February 7, 2023 and December 31, 2022, the issued and outstanding shares of Chorus were as follows:

	February 7, 2023	December 31, 2022
Total issued and outstanding Common Shares	200,353,844	201,332,016
Common Shares potentially issuable Stock-based compensation plans	5,643,765	5,643,765
Total outstanding and potentially dilutive Common Shares	205,997,609	206,975,781
Total issued and outstanding Preferred Shares	300,000	300,000

In addition, and subject to adjustment in certain circumstances:

- up to 11,417,322 Common Shares are issuable at a price of $6.35 per Common Share upon conversion of the Series B Debentures by the holders thereof; and
- up to 18,642,772 Common Shares are issuable at a price of $4.60 per Common Share upon the exercise of the 2022 Warrants.

On November 9, 2022, the Corporation announced that the TSX had accepted the Corporation's notice (the "**Notice**") to make a NCIB to purchase for cancellation up to a maximum of 15,928,236 of its Common Shares, representing 10% of the public float of the Common Shares as of November 7, 2022, calculated in accordance with the TSX rules. The Corporation filed a Material Change Report in relation to the NCIB on November 18, 2022, which is available under the Corporation's profile on SEDAR at www.sedar.com. The Corporation has purchased and cancelled 1,718,972 Common Shares between the start of the NCIB on November 14, 2022 and December 31, 2022. Security holders may obtain a copy of the Notice, without charge, by contacting the Corporation.

Falko Acquisition and Private Placement

On May 3, 2022, certain wholly-owned subsidiaries of Chorus completed the majority of the Falko Acquisition and Chorus concurrently completed a private placement with Brookfield, pursuant to which Brookfield subscribed for (i) US $300.0 million of Preferred Shares in exchange for US $291.0 million in cash, and (ii) 25,400,000 Common Shares and was issued 18,642,772 Common Share purchase warrants with an exercise price of $4.60 per Common Share expiring on May 3, 2029 (the "**2022 Warrants**") in exchange for US $74.0 million in cash (the "**Private Placement**"). A copy of the indenture relating to the 2022 Warrants is available under the Corporation's profile on SEDAR at www.sedar.com.

The Preferred Shares are non-voting shares (except that they have the right to vote separately as a class on the matters contemplated by section 176 of the Canada Business Corporations Act and in other specified circumstances as set out in the terms of the Preferred Shares). The Preferred Shares carry a dividend entitlement of 8.75% per annum in cash or 9.5% per annum in kind, payable quarterly. The dividend rate increases each year by 1% per annum in cash, 1.5% per annum in kind, starting on the sixth anniversary of the issuance up to a cap of 14.75% per annum in cash and 15.5% per annum in kind. The Preferred Shares are subject to a 2% per annum dividend rate increase in the event of a continuing event of default. The Corporation has a one-time option to redeem 50% of the Preferred Shares at any time, and an option to redeem all of the Preferred Shares, subject in each case to the payment of multiples on the subscriber's invested capital of (a) any time prior to the third anniversary of the original issue date of the Preferred Shares (the "**Issue Date**"), 1.4x; (b) starting on the third anniversary of the Issue Date until the sixth anniversary of the Issue Date, 1.6x; and (c) on or after the sixth anniversary of the Issue Date, 0x. The holders of the Preferred Shares have a put right in the event of change of control or the disposition by the Corporation of a material business or the acquisition by the Corporation and/or entry into of a new unrelated business line that fundamentally changes the nature of the business of the Corporation. The terms of the Preferred Shares are set out in the Corporation's Restated Articles of Incorporation dated August 16, 2022, a copy of which is available under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.chorusaviation.com.

The net proceeds of the Private Placement were used in their entirety to partially fund the Falko Acquisition. In connection with the Private Placement, Chorus and Brookfield entered into an investor rights agreement (the "**Investor Rights Agreement**") pursuant to which, among other covenants, Chorus agreed to a maximum leverage covenant and certain restrictions on dividends payable in respect of its Common Shares. A copy of the Investor Rights Agreement is available under the Corporation's profile on SEDAR at www.sedar.com.

Long-term debt

Long-term debt consists of the following:

(expressed in thousands of Canadian dollars)	**December 31, 2022** **$**	**December 31, 2021** **$**
Secured long-term debt and credit facilities[1]		
Amortizing term loans		
Secured by aircraft	1,293,761	1,334,143
Secured by engines	4,507	5,542
Warehouse credit facility	85,847	91,950
Nova Scotia Jobs Fund loan - secured by office building	5,000	6,000
Asset backed securitization	309,665	—
6.00% Debentures	—	115,000
	1,698,780	1,552,635
Unsecured long-term debt[1]		
Series A Debentures	86,250	86,250
Series B Debentures	72,500	72,500
Series C Debentures	85,000	85,000
Unsecured Credit Facility	101,580	126,780
	2,044,110	1,923,165
Less:		
Deferred financing fees	(12,816)	(16,247)
Accretion discount on amortizing term loans and asset backed securitization	(10,348)	—
Accretion discount on Convertible Units and debentures	(1,979)	(3,241)
	2,018,967	1,903,677
Less: Current portion[2]	340,308	226,509
	1,678,659	1,677,168

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at 1.3544 which was the exchange rate in effect at closing on December 31, 2022 (December 31, 2021 - 1.2678).
(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.5 million and interest accretion of $3.9 million, respectively for the year ended December 31, 2022 (December 31, 2021 - $1.3 million and $nil, respectively).

The principal attributes of Chorus' long-term debt facilities are summarized below. Such 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 Series A Debentures, the Series B Debentures, the Series C Debentures and the Operating Credit Facility, please refer to the relevant agreements and indentures which are under the Corporation's profile 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 3.87%, maturing between May 2023 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.

Chorus' engine loans are repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.29%, maturing between December 2024 and May 2028, each secured primarily by one PW150A engine.

Chorus' aircraft warehouse credit facility includes a series of term loans repayable in instalments, bearing floating interest at a weighted average rate of 7.35%, amortizing to January 2025, each secured primarily by the aircraft financed by the loans and a security assignment of the leases in respect thereof. The floating interest rates have been fixed via swap agreements on a portfolio basis related to these loans at a weighted average rate of 5.07%.

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.

Asset backed securitization

As part of the Falko Acquisition completed on May 3, 2022, Chorus indirectly acquired a majority interest in the equity note issued by Regional 2021-1 Limited to Regional 2021-1 E Holding Limited (the "**E Note**") in connection with an asset-backed securitization of 39 regional aircraft which closed in April 2021 (the "**Regional 2021-1 ABS**"). In addition to issuing the equity note, Regional 2021-1 Limited and its wholly-owned subsidiary, Regional 2021-1 LLC (collectively, the "**ABS Borrowers**"), co-borrowed US $255 million of Series A Loans (the "**Series A Loans**"). The ABS Borrowers are not subsidiaries (directly or indirectly) of Chorus, and Chorus is not liable for the debts under the Series A Loans. Chorus has an interest in the aircraft owned by the Co-Borrowers and their subsidiaries by virtue of its indirect interest in the E Note.

These Series A Loans amortize on a straight-line basis based on the aircraft type that ranges from eight to 11 years, bear interest at 5.75% and are secured by 39 regional aircraft.

The Series A Loans are subject to priority of payment provisions and financial tests that could result in, among other things, requirements to replenish a liquidity facility, requirements to replenish maintenance reserve and security deposit accounts as well as tests that could result in the restriction of cash, accelerated amortization, and/or cash sweeps.

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 and Falko (which hold aircraft acquired for lease to customers outside of Chorus).

- Falko has certain loans that are required to maintain a maximum loan to value ratio and a minimum debt service coverage ratio.
- 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.

- 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 December 31, 2022, Chorus was in compliance with all of these financial covenants.

Furthermore, most amortizing term loans contain provisions that require the immediate repayment of all amounts outstanding thereunder if the borrower or any guarantor of the loan undergoes a change of control without the lender's consent.

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.

The related 6.00% Debentures, were due to mature on December 31, 2024, bore interest at a rate of 6.00% per annum and were secured by certain Dash 8-100s and Dash 8-300s and real estate property owned by Chorus (the "**Collateral Security**"), and were 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 would be required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Stapled Warrants.

On December 29, 2022, the remaining $115.0 million aggregate principal amount of the 6.00% Debentures was redeemed. Following the redemption, the Collateral Security was released and the Stapled Warrants expired.

Series A Debentures

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

The Series A Debentures are not convertible by the holders thereof into Common 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 Series A Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series A Debentures on redemption or at maturity through, in whole or in part, the issuance of Common 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 Series A Debentures by delivering Common Shares to the trustee under the indenture governing the Series A 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 Series A Debentures and amortized over the life of the debentures using the effective interest rate.

The Series A Debentures trade on the TSX under the symbol CHR.DB.A.

Series B Debentures

On April 6, 2021, the Corporation issued $72.5 million aggregate principal amount of Series B Debentures, which bear interest at a rate of 6.00% per annum, and mature on June 30, 2026. Subject to adjustment in certain circumstances, the Series B Debentures are convertible at the holder's option into 157.4803 Common Shares per $1,000 principal amount of such debentures, initially representing a conversion price of $6.35 per Share. The net proceeds, after transactions costs, were $69.5 million. Transaction costs are capitalized and offset against the debt and equity portions of the Series B Debentures and amortized over the life of the debentures using the effective interest rate.

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 Series B Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Series B 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 Series B Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

The Series B Debentures trade on the TSX under the symbol CHR.DB.B.

Series C Debentures

In September 2021, the Corporation issued $85.0 million aggregate principal amount of Series C Debentures, which bear interest at a rate of 5.75% per annum, and mature on June 30, 2027.

The Series C Debentures are not convertible by the holders thereof into Common 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 Series C Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series C Debentures on redemption or at maturity through, in whole or in part, the issuance of Common 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 Series C Debentures by delivering Common Shares to the trustee under the indenture governing the Series C Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $81.2 million, net of $3.8 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series C Debentures and amortized over the life of the Series C Debentures using the effective interest rate.

The Series C Debentures trade on the TSX under the symbol CHR.DB.C.

Loan facilities

Operating Credit Facility

On January 27, 2023, Chorus amended the terms of its existing Operating Credit Facility to extend the maturity date to January 27, 2026 and add a $50.0 million uncommitted accordion feature.

The Operating Credit Facility provides Chorus and certain designated subsidiaries including CACC, Jazz and Voyageur (collectively, the "**Credit Parties**") with a committed limit of up to $100.0 million, subject to a borrowing base calculation. Chorus has also provided letters of credit totaling $10.3 million that reduce the amount available under this facility.

The Operating Credit Facility is secured by all present and after-acquired personal property of the Credit Parties, excluding certain specified assets such as aircraft and engines and the equity securities of certain subsidiaries of the Corporation such as CACC and its subsidiaries. It contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio. Any outstanding balance under this facility is immediately repayable if the Corporation undergoes a change in control without the lender's consent.

The facility bears interest for Canadian dollar advances at Canadian Prime plus 1.50% - 2.50% or BA Borrowing plus 2.50% - 3.50%, and for US dollar advances at Base Rate plus 1.50% - 2.50% or SOFR plus 2.50% - 3.50%.

The trustees (collectively, the "**Trustees**") under the indentures for the Series A Debentures, Series B Debentures, and Series C Debentures (collectively, the "**Unsecured Debentures**") entered into, in their capacity as trustee for and on behalf of the holders of the relevant Unsecured Debentures, intercreditor agreements (the "**Intercreditor Agreements**") with The Bank of Nova Scotia, in its capacity as administrative agent for and on behalf of the lenders under the Operating Credit Facility. The Intercreditor Agreements provide, among other things, that following the occurrence of a default (as defined in the Intercreditor Agreements) which is continuing or upon an insolvency or liquidation proceeding (as defined in the Intercreditor Agreements) involving the Corporation, all obligations under the Operating Credit Facility shall first be paid in full before payments are made to holders of Unsecured Debentures under or pursuant to the applicable indenture and as such, to the extent that any amounts remain outstanding under the Operating Credit Facility after realization upon the applicable security, any proceeds received by the Trustees on behalf of the holders of Unsecured Debentures may be required to be remitted to the administrative agent under the Operating Credit Facility until all amounts due under the Operating Credit Facility are paid in full. Copies of the Intercreditor Agreements are available under Chorus' profile on SEDAR at www.sedar.com.

Unsecured Revolving Operating Credit Facility

On May 2, 2022, the Corporation entered into a US $30.0 million credit agreement for Unsecured Revolving Operating Credit Facility with a nine-month term, maturing February 2, 2023. As of December 31, 2022, Chorus had not drawn on the facility and had not drawn on the facility prior to its maturity on February 2, 2023.

Warehouse Credit Facility

The loans under this facility 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 3.00% until January 2023 and ranging from LIBOR plus 3.25% - 4.00% 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 December 31, 2022, Chorus was in compliance with these covenants.

Unsecured Credit Facility

In April 2020, the Corporation obtained a US $100.0 million Unsecured Credit Facility. The facility had a committed revolving availability period of two years from April 28, 2020 to April 28, 2022. Effective April 28, 2022, this facility automatically converted to a fixed, amortizing debt facility, and the indebtedness thereunder is required to be repaid over eight equal instalments of US $12.5 million principal plus interest starting in July 2022 and ending in April 2024.

The Unsecured Credit Facility contains customary covenants and events of default, including restrictions on share repurchases and the payment of dividends exceeding $0.48 per Common Share per year, a mandatory prepayment upon the occurrence of a change of control of Chorus, an event of default that is triggered upon the acceleration of Chorus indebtedness in excess of US $10.0 million, and an event of default that is 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.

Total scheduled principal payments on long-term debt on December 31, 2022, excluding unamortized deferred financing fees and interest accretion, are as follows:

(expressed in thousands of Canadian dollars)	$
No later than one year	345,741
Later than one year and no later than five years	1,385,000
Later than five years	313,369
	2,044,110

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.

As at December 31, 2022, Chorus' largest lender held approximately 51% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes 10% under the Unsecured Credit Facility, CACIL owes approximately 40% under aircraft loans, and the Jazz Group owes approximately 50% under aircraft loans. The Corporation's indebtedness under the Unsecured Credit 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 43% 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, excluding those in Falko, 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

As of December 31, 2022, 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 December 31, 2022, 90.8% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 9.2% was floating rate debt.

Chorus has entered into interest rate swaps on certain of its amortizing term loans and its aircraft warehouse credit facility, converting a portion of its floating interest rate debt to fixed rates for the average duration of each loan and facility. Each interest rate swap is intended to hedge the variability of future interest rates and related interest payments on its respective loan. Certain of the interest rate swaps are designated and effective as cash flow hedges. Changes in the fair value of effective interest rate swaps are recorded in other comprehensive (loss) income and ineffective interest rate swaps are recorded in income. 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.

Chorus recorded the following gains and losses on the interest rate swaps:

	Three months ended December 31,		**Year ended December 31,**	
	2022	**2021**	**2022**	**2021**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Other comprehensive income				
Gain on changes in fair value of effective interest rate swaps, net of tax expense of $13 and $1,130 (2021 - $432 and $792)	90	1,818	7,916	6,841
Income statement				
(Loss) gain on ineffective interest rate swap	(9)	171	2,043	(1,676)

In July 2017 the U.K. Financial Conduct Authority announced that the LIBOR would be phased out by the end of 2021. At present, USD LIBOR rates will continue to be published until June 2023. Chorus' exposure to changes in LIBOR rates is confined to those loans, credit facilities, and derivative agreements that have floating rates that reference USD LIBOR and that did not mature before December 31, 2021. As at December 31, 2022, Chorus had 18 loans which totaled $337.2 million and nine derivative agreements which referenced notional amounts totaling $152.3 million that will be impacted by the transition from USD LIBOR to alternative reference rates as they mature after December 31, 2022 but not prior to June 30, 2023. Chorus is in the process of implementing a planned transition to alternative reference rates and does not anticipate any material impacts on its financial results (refer to Section 26 - Caution Regarding Forward-Looking Information).

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 December 31, 2022.

Foreign Exchange Rate Risk

Chorus receives revenue and incurs expenses in US dollars, Canadian dollars and Euros. Chorus manages its economic exposure to currency risk in the RAS segment 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.

Chorus mitigates the currency risk associated with the RAL segment by borrowing in the same currencies as the related lease revenues.

Chorus converts its foreign currency monetary assets and liabilities, such as cash, accounts receivable, accounts payable, obligations under finance leases, long-term debt and intercompany loans at each balance sheet date, which gives rise to unrealized foreign exchange gains or losses.

The amount of US dollar denominated financial assets was $69.3 million and US denominated financial liabilities was $542.0 million at December 31, 2022. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $4.7 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 Common Shares that it issues under its various stock-based compensation programs. To mitigate this risk, Chorus hedges the variability of its Common Share price effecting settlement under its various stock-based compensation programs with a Total Return Swap. The current swap is for 5.7 million Common Shares priced at $3.91 per Common Share and matures in February 2023. The Corporation 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. For additional information, please refer to notes 3(j) and 3(k), under the heading "Significant Accounting Policies", of the audited consolidated financial statements of the Corporation for the year ended December 31, 2022.

Chorus recorded gains (losses) on the Total Return Swap as follows:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
(in thousands of Canadian dollars)	$	$	$	$
Income statement				
Gain (loss) on total return swap	5,359	(1,391)	(293)	(1,707)

9 LIQUIDITY

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures including investment in Falko-managed aircraft investment funds, principal and interest payments related to long-term borrowings and the payment of preferred dividends.

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

As of December 31, 2022, Chorus' liquidity was $230.3 million including cash of $100.0 million and $130.3 million of available credit under its Operating Credit Facility and Unsecured Revolving Operating Credit Facility. Liquidity decreased from the third quarter of 2022 by $45.9 million due to the early redemption of $115.0 million principal amount on the 6.00% Debentures and a $25.9 million discretionary repayment on the Operating Credit Facility offset by strong cash flow from operations, asset sales and the release of restricted cash.

During the quarter, Chorus generated cash flow from operations of $81.6 million. Other key liquidity changes during the quarter were as follows:

- Increased cash by $87.4 million due to the sale of aircraft.
- Increased cash by $16.9 million due to an increase in security deposits and maintenance reserves.

- Decreased cash by $118.3 million due to scheduled debt repayments of $84.6 million, a $25.9 million discretionary repayment on the Operating Credit Facility and a $7.8 million repayment on loans related to aircraft sold.
- Decreased cash by $25.4 million due to capital expenditures.
- Decreased cash by $9.8 million primarily due to an increase in inventory offset by an increase in accounts payable and accrued liabilities driven by increased operations.
- Decreased cash by $9.1 million due to the payment of Preferred Share dividends.
- Decreased cash by $5.5 million due to the repurchase of Shares under the NCIB.

At December 31, 2022, the Controllable Cost Guardrail receivable was $37.3 million and was fully paid in January 2023.

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 December 31, 2022 balance sheet was $228.9 million (December 31, 2021 - $42.1 million). The current portion of contracted aircraft operating lease receivables as at December 31, 2022 is estimated to be approximately $370.7 million converted to CAD at the December 31, 2022 rate of 1.3544. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately $141.7 million. (Refer to Section 26 - Caution Regarding Forward-Looking Information).

Leverage

As a result of Chorus' year-over-year increase in Adjusted EBITDA of $111.6 million and significantly lower debt balances, Chorus' Leverage Ratio improved from its highest levels as of June 30, 2022 of 6.4 to 4.4 at December 31, 2022 (September 30, 2022 - 5.1; December 31, 2021 - 5.4). (Refer to Section 18 - Non-GAAP Financial Measures.)

Cash Flows

The following table provides information on Chorus' cash flows for the three months and year ended December 31, 2022 and December 31, 2021.

(expressed in thousands of Canadian dollars)	Three months ended December 31, 2022 $	Three months ended December 31, 2021 $	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Cash provided by operating activities	81,633	48,987	279,512	184,984
Cash used in financing activities	(250,500)	(165,664)	(71,459)	(180,925)
Cash provided by (used in) investing activities	74,551	2,248	(231,369)	(27,810)
Cash flow from operating, financing and investing activities	(94,316)	(114,429)	(23,316)	(23,751)
Effect of foreign exchange rate changes on cash	(113)	(581)	12,781	(2,013)
Net change in cash during the periods	(94,429)	(115,010)	(10,535)	(25,764)
Cash and restricted cash – Beginning of periods	262,340	293,456	178,446	204,210
Cash and restricted cash – End of periods	167,911	178,446	167,911	178,446

Cash provided by operating activities

Chorus had cash inflows from operating activities of $81.6 million for the three months ended December 31, 2022, compared to cash inflows from operating activities of $49.0 million for the three months ended December 31, 2021. The increase was primarily due to an increase in operating income as well as changes in working capital primarily related to an increase in inventory offset by increased accounts payable and accrued liabilities driven by increased operations.

Chorus had cash inflows from operating activities of $279.5 million for the year ended December 31, 2022, compared to cash inflows from operating activities of $185.0 million for the year ended December 31, 2021. The increase was primarily due to an increase in operating income offset by changes in working capital primarily related to increased accounts payable and accrued liabilities offset by an increase in the receivables from Air Canada both due primarily to increased engine overhaul maintenance events driven by increased operations.

Cash used in financing activities

Cash used in financing activities for the three months ended December 31, 2022 was $250.5 million, comprised primarily of payments on long-term borrowings of $118.3 million, which included scheduled payments of $84.6 million, a $25.9 million discretionary repayment on the Operating Credit Facility and a $7.8 million repayment on loans related to the sale of aircraft, the redemption of $115.0 million principal amount of the 6.00% Debentures, payment of dividends on the Preferred Shares of $9.1 million, repurchase of Common Shares under the NCIB of $5.5 million and distributions to non-controlling interests of $1.6 million.

Cash used in financing activities for the three months ended December 31, 2021 was $165.7 million, comprised of the redemption of $85.0 million principal amount of the 6.00% Debentures, the repayment of the Prior Facility of $30.0 million and payments on scheduled long-term borrowings of $50.2 million.

Cash used in financing activities for the year ended December 31, 2022 was $71.5 million, comprised primarily of payments on long-term borrowings of $450.1 million (which included scheduled payments of $269.3 million, $118.8 million of repayment on loans related to the sale of 10 aircraft and a $62.0 million discretionary repayment on the Operating Credit Facility), the redemption of $115.0 million principal amount of the 6.00% Debentures, payment of dividends on the Preferred Shares of $14.6 million, distributions to non-controlling interests of $6.4 million and repurchase of Common Shares under the NCIB of $5.5 million; offset by net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition and long-term borrowings of $60.0 million.

Cash used in financing activities for the year ended December 31, 2021 was $180.9 million, comprised primarily of payments on long-term borrowings of $421.3 million (which included scheduled payments of $200.7 million, the redemption of $85.0 million principal amount of the 6.00% Debentures, the repayment of the Prior Facility of $30.0 million, repayment of deferrals of $33.9 million and early repayments of amortizing term loans on six aircraft totaling $71.7 million), offset by net proceeds of $138.1 million related to the 2021 (April) Capital Raise, net proceeds of $81.2 million related to the issuance of the Series C Debentures and $25.1 million of borrowings, net of financing fees on a new loan related to an aircraft acquisition.

Cash provided by (used in) investing activities

Cash provided by investing activities for the three months ended December 31, 2022 was $74.6 million, which includes proceeds on disposal of property and equipment of $87.4 million primarily related to the sale of four aircraft and increased security deposits and maintenance reserves of $16.9 million related to leased aircraft offset by capital expenditures of $25.4 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and a fund investment of $5.8 million.

Cash provided by investing activities for the three months ended December 31, 2021 was $2.2 million, which included increased security deposits and maintenance reserves of $20.1 million related to leased aircraft. This was partially offset by capital expenditures of $18.4 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures.

Cash used in investing activities for the year ended December 31, 2022 was $231.4 million, which includes the Falko Acquisition, net of cash acquired of $464.8 million, capital expenditures of $62.3 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and a fund investment of $5.8 million. This was partially offset by proceeds on disposal of property and equipment of $271.3 million primarily related to the sale of aircraft and increased security deposits and maintenance reserves of $23.5 million related to leased aircraft.

Cash used in investing activities for the year ended December 31, 2021 was $27.8 million, which included capital expenditures of $74.7 million for the acquisition of one aircraft and the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures. This was partially offset by increased security deposits and maintenance reserves of $42.9 million related to leased aircraft and insurance proceeds of $1.7 million.

Capital expenditures

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

(expressed in thousands of Canadian dollars)	Three months ended December 31,			Year ended December 31,		
	2022 $	2021 $	Change $	2022 $	2021 $	Change $
Capital expenditures, excluding aircraft acquisitions	9,766	3,340	6,426	15,914	7,019	8,895
Capitalized major maintenance overhauls	3,017	10,461	(7,444)	15,974	20,296	(4,322)
Aircraft acquisitions and improvements(1)(2)	12,609	4,646	7,963	30,392	47,392	(17,000)
Total capital expenditures	25,392	18,447	6,945	62,280	74,707	(12,427)

(1) 2022 includes reconfiguration costs on certain off-lease and re-leased aircraft.
(2) 2021 includes the acquisition of one CRJ900 and reconfiguration costs on certain off-lease and re-leased aircraft.

The 2022 actual capital expenditures of $62.3 million were higher than anticipated expenditures of $40.0 million to $57.0 million as a result of heavy checks and aircraft improvements to ready aircraft for re- lease.

Commitments for capital expenditures

Chorus has no material commitments for capital expenditures.

Dividends on Common Shares and Preferred Shares

Chorus does not currently pay a dividend on its Common Shares. Dividends are subject to the discretion of Chorus' Board of Directors.

On May 3, 2022, Chorus issued Preferred Shares to Brookfield. The Preferred Shares currently carry a dividend entitlement of 8.75% per annum in cash, payable quarterly or 9.5% per annum in kind, accrued quarterly. The Preferred Share dividends are declared monthly and paid quarterly in US dollars in the month following quarter end.

For the three months and year ended December 31, 2022, the Corporation declared $8.9 million and $22.9 million, respectively in Preferred Share dividends.

For the three months and year ended December 31, 2022, the Corporation paid $9.1 million and $14.6 million, respectively in Preferred Share dividends.

Contractual obligations and other commitments

Chorus has commitments related to scheduled payments of principal and interest on long-term debt and lease liabilities for the years 2023 through to 2027 and thereafter, all of which are summarized in the following table.

	Payments Due by Period				
(expressed in thousands of Canadian dollars)	Total $	Within 1 year $	2 - 3 years $	4 - 5 years $	After 5 years $
Long-term debt	2,319,304	433,604	992,475	558,347	334,878
Lease liabilities	12,446	5,520	4,015	1,160	1,751
	2,331,750	439,124	996,490	559,507	336,629

A significant portion of long-term debt and lease liabilities are payable in US dollars and have been converted using a foreign exchange rate of 1.3544.

The foregoing contains forward-looking information and actual contractual obligations and other commitments may vary. These projections are based on certain assumptions including foreign exchange rates and current contractual terms. Please refer to Section 26 - Caution regarding forward-looking information and Section 10 - Risk Factors for risks related to this forward-looking information. The current projections differ from previous projections as a result of new borrowing or leasing and a change in the foreign exchange rate, among other things.

Future lease receivables from lessees under operating leases

As at December 31, 2022, Chorus has commitments from aircraft lessees related to scheduled receivables under operating leases for aircraft for the years 2023 through to 2027 and thereafter, all of which are summarized in the following table:

	Payments Due by Period				
(expressed in thousands of Canadian dollars)	Total $	Within 1 year $	2 - 3 years $	4 - 5 years $	After 5 years $
Operating leases	1,996,334	373,265	648,087	473,954	501,028

A significant portion of lease receivables in US dollars and Euro and have been converted using a foreign exchange rate of 1.3544 and 1.4527, respectively.

The foregoing contains forward-looking information and actual future lease payments may vary. These projections are based on certain assumptions including foreign exchange rates and current contractual terms. Please refer to Section 26 - Caution regarding forward-looking information and Section 10 - Risk Factors for risks related to this forward-looking information. The current projections differ from previous projections mainly due to new leasing, lease modifications, rent relief arrangements and changes in the foreign exchange rates.

Off balance sheet arrangements and guarantees

Chorus enters into real estate leases, or operating agreements, which grant a license to Chorus to use certain premises and/or operate at certain airports in the majority of the cities that it serves. It is common in such commercial lease transactions for Chorus, as the lessee, to agree to indemnify the lessor and other related third parties for tort liabilities arising out of or relating to Chorus' use or occupancy of the leased or licensed premises. In certain cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but generally excludes any liabilities caused by their gross negligence or willful misconduct. Chorus also typically indemnifies such parties for any environmental liability arising out of or relating to its use or occupancy of the leased or licensed premises.

In financing arrangements or leasing agreements, Chorus typically indemnifies the financing parties, trustees and agents acting on behalf of such financing parties and other related parties and/or lessors against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties. In financing agreements more generally, Chorus typically indemnifies the financing parties, trustees and agents acting on behalf of such financing parties and other related parties against any liabilities arising from the financing (including any costs incurred by the financing parties to enforce their rights thereunder) and in respect of certain tax consequences.

When Chorus, as a customer or service provider, enters into technical service agreements, Chorus from time-to-time agrees to indemnify the counterparty against costs or liabilities that may arise from Chorus' breach of the agreement, negligence, gross negligence and/or wilful misconduct.

10 RISK FACTORS

For a more detailed description of the possible risk factors associated with Chorus' business, including its dependence on the CPA, the aviation industry, the aircraft leasing business carried on by CAC, and the Voyageur business refer to Section 8 - Capital Structure of this MD&A, the Section entitled “Risk Factors” in Chorus’ Annual Information Form dated February 15, 2023 (which is deemed incorporated into this MD&A).

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 22 of the audited consolidated financial statements of Chorus for the years ended December 31, 2022 and 2021).

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]

[1] (Refer to Section 26 - 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, 2022 and 2021.

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

Although the COVID-19 pandemic had adversely impacted demand for passenger air travel, demand for passenger air travel continues to show improvements in 2022 aided by increasing vaccination rates and the relaxation of travel restrictions. However, the COVID-19 pandemic and its adverse effect on passenger air travel could be prolonged if new variants of concern were to emerge. Therefore, any estimate of the length and severity of the pandemic is 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.

Employee future benefits

Chorus' significant policies related to the Pilot DB Plan, and the SERP DB Plan (collectively referred to as "**Pension Benefits**"), and the Other Future Employee Benefits are as follows:

- The cost of Pension Benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees. Obligations are attributed to the period beginning on the date the employee joins the plan and ending on the earlier of the date of termination, death or retirement. Actuarial gains and losses on the pension benefits are recognized in full in the period in which they occur in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods. Current service cost, the recognized element of any past service cost, the interest income on plan assets and the interest arising on the pension liability are included in salaries, wages and benefits in the statement of income.
- Other Employee Benefits consist of two categories of benefits:
    - Medical and dental benefits provided to employees while on long-term disability, and Worker's Compensation and Workers Safety Insurance Board benefits in respect of Ontario employees, are collectively referred to as other long-term benefits. The actuarial gains and losses for this component of Other Employee Benefits are charged to operating expense in the year they occur.
    - Sick leave benefits are paid to certain employees upon or just prior to retirement. The actuarial gains and losses on this component of other employee benefits are charged to other comprehensive income in the year they occur.
- The cost of the Other Employee Benefits is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation, as applicable to each of the categories of benefits.
- Past service costs arising from plan amendments of the defined benefit pension plan and the supplemental executive retirement plan and other employee benefit plans are recognized immediately in income.
- The registered pension plan is subject to certain minimum funding requirements. The liability, where applicable, in respect of the minimum funding requirement is determined using the projected minimum funding requirements based on actuarial forecasts. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability is recognized in other comprehensive income without subsequent reclassification to income.
- The measurement date of each of the plans' assets and obligations is December 31. Pension obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement. The obligations relating to other employee benefits plans are

attributed to the period beginning on the employee's date of joining the plan or disablement (whichever applicable) and ending on the earlier of retirement or end of disablement or age 65 (whichever applicable).

- Chorus also maintains several defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable.

The following assumptions were used in valuing the benefit obligations under the plans and the employer's net periodic pension or benefit cost:

- The discount rate used to determine the pension and benefit obligation and the interest income on assets was determined by reference to market interest rates, as of the measurement date, on high quality debt instruments with cash flows that approximately match the timing and amount of expected benefit payments. It is reasonably possible that these rates may change in the future as a result of changes in market interest rates.
- The health care inflation used to determine cost of Other Future Employee Benefits costs is based on recent industry experience and long-term expectations. The weighted average health care inflation assumption used for the health care plans is 5.3% per annum for 2022 and 4.0% per annum for 2040 and later years.
- Actual experience that differs from assumptions made by management will result in a net actuarial gain or loss, which is recognized each period through other comprehensive income.

The following table contains assumptions used in valuing the benefit obligations under this plan and the employer's net periodic pension or benefit cost:

	Fiscal year ended December 31,	
	2022	**2021**
Weighted average assumptions used to determine accrued benefit obligation		
- Discount rate	5.2% - 5.3%	2.8% - 3.1%
- Rate of compensation increase	2.0% - 4.5%	2.0% - 4.5%
- Health care inflation — Select	5.2%	5.3%
- Health care inflation — Ultimate	4.0%	4.0%
- Year ultimate trend reached	2040	2040
Weighted average assumptions used to determine pension and benefit costs		
- Discount rate	2.8% - 3.1%	2.0% - 2.5%
- Rate of compensation increase	2.0% - 4.5%	2.0% - 4.5%
- Health care inflation — Select	5.3%	5.4%
- Health care inflation — Ultimate	4.0%	4.0%
- Year ultimate trend reached	2040	2040

Operating revenue

In accordance with the CPA, Chorus and Air Canada are required to re-set certain Controllable Cost Revenue rates for the year ended December 31, 2022. These rates were finalized in the fourth quarter of 2022 and were retroactive to January 1, 2022. Given the nature of the Controllable Cost Guardrail, Chorus' exposure to variances between the Controllable Cost Revenue Chorus receives from Air Canada to cover annually negotiated Controllable Costs and Chorus' actual Controllable Costs incurred in performing its services for Air Canada is limited to $2.0 million annually.

Business combination

Chorus applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of an entity is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair value of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair value of the acquired company's assets and assumed liabilities.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer relationships and trade name. To determine the fair value of these customer-based intangible assets, significant assumptions were made, which include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

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 with remaining depreciation periods greater than five years would result in an increase of $8.5 million to annual depreciation expense. For aircraft with shorter remaining depreciation periods, the residual values are not expected to change significantly.

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 and year ended December 31, 2022, Chorus recorded impairment provisions of $nil and $20.5 million, net of recoveries, respectively (three months and year ended December 31, 2021 - $14.6 million and $54.6 million, respectively).

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, 2022 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 7.20% (2021 - 6.39%).

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 all 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 certain of its lessees.

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.

For the three months and year ended December 31, 2022, Chorus recorded a charge related to the allowance for expected credit loss of trade and other receivables of $3.2 million and $15.8 million, respectively (three months and year ended December 31, 2021 - $nil and $5.4 million, respectively), 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, 2022 consolidated financial statements.

14 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, investments, Total Return Swap, accounts payable and accrued liabilities, 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 and accounts payable and accrued liabilities 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:

	As at December 31, 2022			As at December 31, 2021		
(expressed in thousands of Canadian dollars)	**Fair value**	**Carrying value**	**Deferred financing fees[1]**	**Fair value**	**Carrying value**	**Deferred financing fees[1]**
	$	**$**	**$**	**$**	**$**	**$**
Finance lease receivables[2]	46,871	46,954	—	6,513	6,126	—
Investments						
Held for trading[3]	85	85	—	—	—	—
Third party[4]	374	374	—	—	—	—
Fund investment[4]	25,549	25,549	—	—	—	—
Other long-term assets						
Interest rate swaps[5]	6,065	6,065	—	—	—	—
Long-term debt						
Amortizing term loans[6]	1,290,955	1,389,128	6,017	1,426,650	1,437,635	6,627
Asset backed securitization[6]	292,972	299,304	—	—	—	—
6.00% Debentures[7]	—	—	—	119,484	114,222	1,014
Series A Debentures[8]	81,722	86,250	1,690	85,344	86,250	2,454
Series B Debentures[8]	67,715	70,521	2,066	71,630	70,037	2,548
Series C Debentures[8]	71,825	85,000	3,043	77,341	85,000	3,604
Unsecured credit facility[9]	99,657	101,580	—	124,954	126,780	—
Other long-term liabilities						
Interest rate swaps[5]	—	—	—	3,976	3,976	—
Total return swap[5]	3,813	3,813	—	3,242	3,242	—

(1) Fair value and carrying values exclude related deferred financing fees.
(2) Fair value is calculated by discounting annual cash flows at the relevant market interest rates.
(3) Fair value is calculated based on quoted prices observed in active markets and is classified as Level 1.
(4) Fair value is calculated by discounting annual cash flows based on limited available market information and is classified as Level 3.
(5) Fair value is estimated using valuation models that utilize market based observable inputs and is classified as Level 2.
(6) Fair value is calculated by discounting the future cash flow of the respective long-term debt at relevant market interest rates of similar debt instruments.
(7) Fair value is 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.
(8) Fair value is calculated based on quoted prices observed in active markets.
(9) Fair value is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

15 PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2023 to 2027:

(expressed in thousands of Canadian dollars)	**2023** **$**	**2024** **$**	**2025** **$**	**2026** **$**	**2027** **$**
Defined benefit pension plans, current service	14,200	13,700	13,500	13,200	13,500
Defined contribution pension plans	20,600	20,500	22,400	22,900	23,500
Projected pension funding obligations	34,800	34,200	35,900	36,100	37,000

Chorus' pension funding obligations for 2022 was $16.6 million for the defined benefit pension plans and $18.1 million for the defined contribution pension plans.

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Jazz pilots' registered defined benefit pension plan ("Pilot DB Plan") as well as an unregistered defined benefit supplemental executive retirement plan ("SERP DB Plan") that Chorus sponsors for eligible employees. On January 1, 2015, and February 19, 2014, the Pilot DB Plan and SERP DB Plan, respectively were closed to new entrants. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Pilot DB Plan are based on the estimated January 1, 2022 financial position of the plan for funding purposes and an estimate of the pilot payroll over the projection period, and could differ significantly from these estimates. The estimated funding requirements for the SERP DB Plan are based on a funding policy adopted by Chorus and the January 1, 2022 financial position of the plan for funding purposes.

The solvency surplus for the Pilot DB Plan as at January 1, 2022 was $25.0 million compared to $27.4 million as at January 1, 2021.

The January 1, 2022 financial position of the Pilot DB Plan for funding purposes applies an average of the solvency ratio over a three-year period. As at January 1, 2022, the financial position of the Pilot DB Plan on a market value basis is expected to be in a small surplus, while minimum funding levels will continue to be based on an average of solvency ratios over a three-year period.

The foregoing contains forward-looking information and actual pension funding obligations may vary. These projections are based on certain assumptions including actuarial determinations, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees, and are subject to certain risks including changes in economic conditions, investment returns generated by the plan assets and interest rates, each of which may impact the financial position of the pension plans sponsored by Chorus and future required contributions. Please refer to Section 26 - Caution regarding forward-looking information, Section 12 - Critical Accounting Estimates, and Section 10 - Risk Factors for further risks related to this forward-looking information. The current estimated pension funding obligations differ from previous estimates as a result of, among other things, the factors listed above.

16 RELATED PARTY TRANSACTIONS

As at December 31, 2022, 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 transaction that are otherwise not material.

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. The design of both the DC&P and the ICFR are based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

An evaluation of the design and effectiveness of Chorus' DC&P and ICFR has been conducted by management, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2022, Chorus' disclosure controls and procedures and internal control over financial reporting, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are operating effectively.

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.

National Instrument 52-109 permits an issuer to limit its design of DC&P or ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period to which the certificate relates. As Falko was acquired in the second quarter of 2022, the CEO and CFO have limited the scope of their design of the Corporation's DC&P and ICFR to exclude controls, policies and procedures relating to Falko as they have not yet performed sufficient procedures to include Falko in the certifications. As at December 31, 2022, Falko had revenues of $122.0 million, assets of $1.0 billion and liabilities of $462.0 million.

There has been no change in Chorus' internal control over financial reporting that occurred during the year ended December 31, 2022 that has materially affected Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A and the audited consolidated financial statements of Chorus for December 31, 2022 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 second quarter of 2022 to include expected credit loss provision related to anticipated aircraft repossessions ("**restructuring expected credit loss provision**") 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, restructuring expected credit loss provision, 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 26 - Caution Regarding Forward-Looking Information).

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the second quarter of 2022 to include the expected credit loss provision related to anticipated aircraft repossession ("**restructuring expected credit loss provision**") to facilitate comparability of its results.

Chorus revised its definition of Adjusted EBITDA in the fourth quarter of 2022 to include the gain (loss) on the fair value of investments related to fund investments as this is a key operating item for Chorus.

Adjusted EBT and EBITDA should not be used as exclusive measures of cash flow because these measures do 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, restructuring expected credit loss provision, 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, restructuring expected credit loss provision, 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 and 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, restructuring expected credit loss provision, 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, restructuring expected credit loss provision, 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.

	Three months ended December 31,			Year ended December 31,		
(expressed in thousands of Canadian dollars)	**2022 $**	**2021 $**	**Change $**	**2022 $**	**2021 $**	**Change $**
Net income (loss)	**45,852**	**10,159**	**35,693**	**51,917**	**(20,485)**	**72,402**
Add (Deduct) items to get to Adjusted net income						
Impairment provisions[1]	—	14,593	(14,593)	20,499	54,589	(34,090)
Restructuring expected credit loss provision[1][2]	—	—	—	10,353	—	10,353
Inventory provision[1]	—	1,000	(1,000)	—	10,090	(10,090)
Employee separation program[1][3]	203	(34)	237	2,296	26,685	(24,389)
Defined benefit pension curtailment[1]	—	—	—	—	8,868	(8,868)
Integration costs[1]	—	—	—	—	2,000	(2,000)
Signing bonuses[1]	—	1	(1)	—	722	(722)
Strategic advisory fees[1]	—	—	—	8,524	—	8,524
Lease repossession costs[1]	4,242	1,724	2,518	28,059	8,970	19,089
Unrealized foreign exchange (gain) loss	(17,887)	(3,324)	(14,563)	7,356	(1,302)	8,658
Tax recovery on adjusted items	(584)	(2,663)	2,079	(10,162)	(26,247)	16,085
	(14,026)	11,297	(25,323)	66,925	84,375	(17,450)
Adjusted net income	**31,826**	**21,456**	**10,370**	**118,842**	**63,890**	**54,952**
Add (Deduct) items to get to Adjusted EBT						
Income tax expense (recovery)	12,546	3,090	9,456	21,933	(7,395)	29,328
Tax recovery on adjusted items	584	2,663	(2,079)	10,162	26,247	(16,085)
Adjusted EBT	**44,956**	**27,209**	**17,747**	**150,937**	**82,742**	**68,195**
Add (Deduct) items to get to Adjusted EBITDA						
Net interest expense	28,809	24,565	4,244	100,843	96,333	4,510
Depreciation and amortization excluding impairment	51,557	36,615	14,942	182,114	146,537	35,577
Foreign exchange loss	3,741	2,425	1,316	6,256	5,897	359
Gain on disposal of property and equipment	(16)	(7)	(9)	(172)	(1,725)	1,553
Loss on fair value of investments	495	—	495	1,068	—	1,068
Other	—	(344)	344	—	(344)	344
	84,586	63,254	21,332	290,109	246,698	43,411
Adjusted EBITDA	**129,542**	**90,463**	**39,079**	**441,046**	**329,440**	**111,606**

(1) Included in operating expenses.
(2) Expected credit loss provision is related to anticipated aircraft repossessions.
(3) Includes $26.3 million related to the pilot early retirement program costs as part of the 2021 CPA Amendments.

Adjusted earnings available to Common Shareholders per Common Share

(expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended December 31,			Year ended December 31,		
	2022 $	**2021 $**	**Change $**	**2022 $**	**2021 $**	**Change $**
Adjusted net income	**31,826**	**21,456**	**10,370**	**118,842**	**63,890**	**54,952**
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders						
Net income attributable to non-controlling interest	(650)	—	(650)	(3,027)	—	(3,027)
Preferred Share dividends declared	(8,913)	—	(8,913)	(22,902)	—	(22,902)
Adjusted earnings available to Common Shareholders	**22,263**	**21,456**	**807**	**92,913**	**63,890**	**29,023**
Adjusted earnings available to Common Shareholders per Common Share - basic	**0.11**	**0.12**	**(0.01)**	**0.48**	**0.37**	**0.11**

Net Debt to Adjusted EBITDA

Net debt to trailing 12-month Adjusted EBITDA leverage ratio (also referred to as "leverage ratio" in this MD&A) is used by Chorus as a means to measure financial leverage. Leverage ratio is calculated by dividing 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 monitoring and managing debt levels. 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.

(expressed in thousands of Canadian dollars)	**December 31, 2022 $**	**December 31, 2021 $**	**Change $**
Long-term debt (including current portion)	2,030,276	1,913,814	116,462
Less:			
Cash	(100,027)	(123,573)	23,546
Restricted cash(1)	—	(10,353)	10,353
Net debt	1,930,249	1,779,888	150,361
Adjusted EBITDA	441,046	329,440	111,606
Leverage ratio	4.4	5.4	(1.0)

(1) At December 31, 2021, the 6.00% Debentures were secured primarily by certain Dash 8-100s and Dash 8-300s. In 2021, restricted cash totaled US $8.0 million in accordance with the terms of the agreement. The restricted cash was released on December 29, 2022 as the 6.00% Debentures were fully redeemed (refer to Section 8 - Capital Structure).

Net debt is a key component of capital management for Chorus and provides management with a measure of its net indebtedness.

Chorus' leverage ratio (Net debt to trailing 12-month Adjusted EBITDA) was 4.4 as at December 31, 2022, a decrease from its leverage ratio at December 31, 2021 of 5.4 (September 30, 2022 of 5.1) primarily due to the earnings contribution of Falko, asset sales and debt repayments as follows:

- As at December 31, 2022, net debt increased by $150.4 million or 8.4% from December 31, 2021. The increase was primarily related to debt assumed as part of the Falko Acquisition and the impact of foreign exchange partially offset by payments on long-term borrowings of $450.1 million (which included scheduled payments of $269.3 million, $118.8 million of repayment on loans related to the sale of aircraft and a $62.0 million discretionary repayment on the Operating Credit Facility) and a $115.0 million discretionary payment on the 6.00% Debentures.
- Adjusted EBITDA increased for the trailing 12-months ended December 31, 2022 compared to the trailing 12-months ended December 2021 primarily due to Falko's earnings contribution.

Free Cash Flow (formerly Adjusted Cash Provided by Operating Activities)

Free Cash Flow is a non-GAAP measure used as an indicator of financial strength and performance. Chorus believes that this measurement is useful as an indicator of its ability to service its debt, meet other ongoing obligations and reinvest in the Company and return capital to Common Shareholders. Readers are cautioned that Free Cash Flow does not represent residual cash flow available for discretionary expenditures.

Free Cash Flow is defined as cash provided by operating activities less net changes in non-cash balances related to operations, capital expenditures excluding aircraft acquisitions and improvements plus net proceeds on asset sales (proceeds on disposal of property and equipment less the related debt repayments for the assets sold).

The following table provides a reconciliation of Free Cash Flow to cash flows from operating activities, which is the most comparable financial measure calculated and presented in accordance with GAAP:

	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change	2022	2021	Change
(expressed in thousands of Canadian dollars)	$	$	$	$	$	$
Cash provided by operating activities	81,633	48,987	32,646	279,512	184,984	94,528
Add (Deduct)						
Net changes in non-cash balances related to operations	(9,772)	17,377	(27,149)	(28,773)	3,318	(32,091)
Capital expenditures, excluding aircraft acquisitions	(9,766)	(3,340)	(6,426)	(15,914)	(7,019)	(8,895)
Capitalized major maintenance overhauls	(3,017)	(10,461)	7,444	(15,974)	(20,296)	4,322
	59,078	52,563	6,515	218,851	160,987	57,864
Net proceeds on asset sales(1)	79,586	7	79,579	152,468	1,725	150,743
Free Cash Flow	**138,664**	**52,570**	**86,094**	**371,319**	**162,712**	**208,607**

(1) Net proceeds on asset sales include debt repayments related to asset sales of $7.8 million and $118.8 million for the three months and year ended December 31, 2022, respectively.

Free Cash Flow was positively impacted by increased operating income for the year ended December 31, 2022 due a decrease in one-time restructuring costs of $37.9 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, in addition to:

- an increase in revenue primarily due to Falko, net gain on sale of assets, claims recoveries in the Virgin Australia and Aeromexico bankruptcies, and increased lease revenue from re-leased aircraft in the RAL segment;
- increased other revenue of $15.2 million due to an increase in parts sales and contract flying and the sale of four Dash 8-100s that were held for resale partially offset by decreased MRO activity; and
- Increased net proceeds on asset sales primarily related to wholly-owned Falko aircraft in 2022.

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 and average Shareholders' equity.

	Trailing 12-months ended		
(expressed in thousands of Canadian dollars)	**December 31, 2022 $**	**December 31, 2021 $**	**Change $**
Income (loss) before income taxes	73,850	(27,880)	101,730
Unrealized foreign exchange loss (gain)	7,356	(1,302)	8,658
	81,206	(29,182)	110,388
Add:			
Finance costs	104,890	97,213	7,677
	186,096	68,031	118,065
Invested capital:			
Average long-term debt[(1)]	1,961,322	2,043,142	(81,820)
Average lease liabilities[(2)]	10,723	11,061	(338)
Average Shareholders' equity	979,446	665,906	313,540
	2,951,491	2,720,109	231,382
Return on invested capital	6.3%	2.5%	3.8%

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

During the trailing 12-months ended December 31, 2022, the average return on invested capital increased from the trailing 12-months ended December 31, 2021 of 2.5% to 6.3% due to the earnings contribution from Falko, one-time restructuring costs related to the 2021 CPA Amendments recorded in first quarter 2021 partially offset by restructuring expected credit loss provisions and lease repossession charges. Invested capital increased primarily due to the Falko Acquisition.

If Adjusted EBT was in the calculation of return on invested capital, it would be 8.7% and 6.6% for the trailing 12-months ended December 31, 2022 and December 31, 2021 respectively.

Adjusted Return on Equity

Adjusted Return on Equity is a non-GAAP financial measure used to gauge a corporation's profitability and how efficient it is in generating profits. Adjusted Return on Equity is calculated based on Chorus' Adjusted Net Income less non-controlling interest and Preferred Share dividends declared divided by Average Shareholders' equity excluding non-controlling interest, Preferred Shares, Preferred Share dividends and cash.

	Trailing 12-months ended		
(expressed in thousands of Canadian dollars)	**December 31, 2022 $**	**December 31, 2021 $**	**Change $**
Adjusted Net Income	118,842	63,890	54,952
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(3,027)	—	(3,027)
Preferred Share dividends declared	(22,902)	—	(22,902)
Adjusted Net Income available to Common Shareholders	92,913	63,890	29,023

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	979,446	665,906	313,540
Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash			
Average Non-controlling interest	(44,425)	—	(44,425)
Average Preferred Shares	(187,608)	—	(187,608)
Average Cash	(111,800)	(144,645)	32,845
	635,613	521,261	114,352
Adjusted Return on Equity	14.6%	12.3%	2.3%

During the trailing 12-months ended December 31, 2022, the average return on equity increased from the trailing 12-months ended December 31, 2021 to 14.6% primarily due to the earnings contribution from Falko.

19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Chorus								
Total revenue ($000)	439,755	421,326	392,343	342,380	346,516	274,399	199,873	202,487
Net income (loss) ($000)	45,852	23,561	(40,403)	22,907	10,159	(14,082)	21,517	(38,079)
Adjusted net income(1) ($000)	31,826	41,686	27,587	17,743	21,456	15,310	11,380	15,744
Adjusted earnings available to Common Shareholders(1) ($000)	22,263	31,185	21,722	17,743	21,456	15,310	11,380	15,744
Adjusted EBITDA(1) ($000)	129,542	123,353	104,871	83,280	90,463	78,081	76,855	84,041
Earnings (loss) available to Common Shareholders per Common Share, basic ($)	0.18	0.06	(0.24)	0.13	0.06	(0.08)	0.12	(0.24)
Earnings (loss) available to Common Shareholders per Common Share, diluted ($)	0.18	0.06	(0.24)	0.13	0.06	(0.08)	0.12	(0.24)
Adjusted earnings available to Common Shareholders,(1) per Common Share - basic ($)	0.11	0.15	0.11	0.10	0.12	0.09	0.06	0.10
FTE employees (end of period)	4,829	4,928	4,783	4,583	4,426	4,175	3,114	2,567
Number of aircraft (end of period)	357	366	381	233	234	234	234	209
Average foreign exchange rates (USD-CAD)	1.3582	1.3048	1.2758	1.2666	1.2602	1.2596	1.2284	1.2668
Jazz								
Departures	40,744	46,070	41,832	30,978	39,014	30,820	11,806	8,924
Block Hours	68,086	76,412	68,837	50,839	64,403	49,890	18,025	12,681
Billable Block Hours	71,727	81,224	72,816	58,444	66,400	51,250	21,039	15,478

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

20 SELECTED ANNUAL INFORMATION

The following table provides selected annual information for Chorus for the years 2020 through to 2022.

	Year ended December 31,		
	2022	2021	2020
(expressed in thousands of Canadian dollars, except per Share amounts)	$	$	$
Revenue	1,595,804	1,023,275	948,721
Operating income	188,266	70,979	114,547
Net income (loss)	51,917	(20,485)	41,486
Cash	100,027	123,573	165,717
Total assets	4,055,909	3,180,517	3,337,686
Total long-term liabilities	2,054,797	2,038,373	2,315,988
Common Share dividends declared	—	—	19,520
Preferred Share dividends declared	22,902	—	—
Cash provided by operating activities	279,512	184,984	156,638
Per Share			
Operating income, basic	0.97	0.41	0.71
Earnings (loss) attributable to Common Shareholders, basic	0.13	(0.12)	0.26
Earnings (loss) attributable to Common Shareholders, diluted	0.13	(0.12)	0.25
Common Share dividends declared	—	—	0.12

2022 Compared to 2021

The 2022 results compared to the 2021 results are discussed throughout the MD&A.

Revenue increased in the RAS segment due to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales and contract flying and the sale of four Dash 8-100s that were held for resale offset by decreased MRO activity. Increased revenue in the RAL segment was primarily attributable to Falko, claims recoveries in the Virgin Australia and Aeromexico bankruptcies, net gain on sale of assets and increased revenue from CACIL's re-leased aircraft.

Operating income increased due to an increase in revenue, a decrease in one-time restructuring costs of $80.7 million related to the 2021 CPA Amendments and lower impairment provisions; offset by higher salaries, wages and benefits due to higher FTE counts and a decrease in the CEWS government grant, increased stock-based compensation, increased engine overhaul maintenance events, increased Pass-Through Costs, increased lease repossession costs, the restructuring expected credit loss provision and increased operating expenses related to Falko.

Net income increased due to the increased operating income as discussed above, offset by unrealized foreign exchange losses due to a change in the foreign exchange rate, additional interest expense primarily related to Falko and higher income tax.

Cash decreased primarily due to repayment of long-debt debt, the redemption of the 6.00% Debentures and the Falko Acquisition offset by the issuance of Preferred and Common Shares to Brookfield, strong cash flows from operations and net proceeds on asset sales.

Total assets increased primarily due to the Falko Acquisition, increased receivables related to rent relief arrangements in the RAL segment and increased Air Canada receivable in the RAS segment offset by the decrease in cash as discussed above and a decrease in property and equipment resulting from normal amortization of assets as well as impairment provisions.

Total long-term liabilities decreased due to scheduled repayments on long-term borrowings, early repayment of amortizing term loans on 10 aircraft, redemption of the 6.00% Debentures and a decrease in deferred tax offset by debt assumed as part of the Falko Acquisition and a change in the foreign exchange rate on long-term debt.

2021 Compared to 2020

The 2021 results compared to the 2020 results are discussed throughout the MD&A.

Revenue increased in the RAS segment due to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased third-party MRO activity, part sales and contract flying. The RAS segment's increased revenue was partially offset by decreased revenue in the RAL segment which was attributable to the loss of revenue due to off-lease aircraft, negotiated lease amendments (including extensions) and lower earnings due to a lower US dollar exchange rate, partially offset by an increase in aircraft earning lease revenue over the prior period.

Operating income decreased due to one-time restructuring costs related to the 2021 CPA Amendments, higher salaries, wages and benefits due to higher FTEs and a decrease in the CEWS government grant, increased engine overhaul maintenance events, increased Pass-Through Costs and increased lease repossession costs. These increases were offset by lower impairment and expected credit loss provisions and stock-based compensation.

Net income decreased due to the decreased operating income as discussed above, unrealized foreign exchange losses due to a change in the foreign exchange rate, additional interest expense primarily related to new debentures offset by lower income tax.

Cash decreased due to repayment of long-debt debt offset by new debentures issued and cash flows from operations.

Total assets decreased due to the decrease in cash as discussed above and a decrease in property and equipment resulting from normal amortization of assets as well as impairment provisions, offset by increased receivables related to rent relief arrangements in the RAL segment and increased Air Canada receivable in the RAS segment.

Total long-term liabilities decreased due to scheduled repayments on long-term borrowings, early repayment of amortizing term loans on six aircraft, redemption of the 6.00% Debentures and a change in the foreign exchange rate on long-term debt offset by the issuance of new debentures.

21 REVENUE

(expressed in thousands of Canadian dollars)	Three months ended December 31,				Year ended December 31,			
	2022	2021	Change	Change	2022	2021	Change	Change
	$	$	$	%	$	$	$	%
Controllable Cost Revenue	215,809	181,636	34,173	18.8	805,950	462,036	343,914	74.4
Pass-Through Revenue	55,064	55,297	(233)	(0.4)	209,611	133,912	75,699	56.5
	270,873	236,933	33,940	14.3	1,015,561	595,948	419,613	70.4
Fixed Margin	16,580	16,430	150	0.9	66,320	65,720	600	0.9
Incentive Revenue	630	825	(195)	(23.6)	2,109	2,372	(263)	(11.1)
Aircraft leasing under the CPA	38,869	36,121	2,748	7.6	148,993	143,385	5,608	3.9
Other(1)	28,441	22,904	5,537	24.2	99,749	84,599	15,150	17.9
	84,520	76,280	8,240	10.8	317,171	296,076	21,095	7.1
RAS Revenue	**355,393**	**313,213**	**42,180**	**13.5**	**1,332,732**	**892,024**	**440,708**	**49.4**
Lease revenue	69,612	33,021	36,591	110.8	238,997	130,126	108,871	83.7
Asset management fees	6,380	—	6,380	100.0	12,205	—	12,205	100.0
Net gain on sale of assets	8,172	—	8,172	100.0	10,919	—	10,919	100.0
RAL Revenue	**84,164**	**33,021**	**51,143**	**154.9**	**262,121**	**130,126**	**131,995**	**50.4**
Other(2)	198	282	(84)	(29.8)	951	1,125	(174)	(15.5)
Corporate Revenue	**198**	**282**	**(84)**	**(29.8)**	**951**	**1,125**	**(174)**	**(18.3)**
Total Revenue	**439,755**	**346,516**	**93,239**	**26.9**	**1,595,804**	**1,023,275**	**572,703**	**35.9**

(1) Other primarily relates to Voyageur and includes charter, contract flying, MRO and other.
(2) Corporate leases space in its head-office building to third parties.

22 RAL Breakdown

(in thousands of Canadian dollars)	For the three months ended December 31, 2022			For the three months ended December 31, 2021		
	CAC excluding Falko	Falko	Total	CAC excluding Falko	Falko	Total
	$	$	$	$	$	$
Operating revenue	35,084	49,080	84,164	33,021	—	33,021
Operating expenses	26,737	23,497	50,234	32,029	—	32,029
Operating income	8,347	25,583	33,930	992	—	992
Net interest expense	(9,513)	(6,736)	(16,249)	(9,398)	—	(9,398)
Foreign exchange gain (loss)	10,257	191	10,448	(2,156)	—	(2,156)
Loss on fair value of investments	—	440	440	—	—	—
Earnings (loss) before income tax	9,091	19,478	28,569	(10,562)	—	(10,562)
Income tax (expense) recovery	(1,294)	(2,796)	(4,090)	1,317	—	1,317
Net income (loss)	7,797	16,682	24,479	(9,245)	—	(9,245)
Net income attributable to non-controlling interest	—	650	650	—	—	—
Net income (loss) attributable to Shareholders	7,797	16,032	23,829	(9,245)	—	(9,245)
Adjusted EBITDA(1)	28,497	38,980	67,477	31,208	—	31,208
Adjusted EBT(1)	(1,392)	23,163	21,771	5,298	—	5,298
Depreciation, amortization and impairment	19,593	8,777	28,370	28,492	—	28,492

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

(in thousands of Canadian dollars)	For the year ended December 31, 2022			For the year ended December 31, 2021		
	CAC excluding Falko $	Falko $	Total $	CAC excluding Falko $	Falko $	Total $
Operating revenue	140,132	121,989	262,121	130,126	—	130,126
Operating expenses	136,230	62,717	198,947	112,285	—	112,285
Operating income	3,902	59,272	63,174	17,841	—	17,841
Net interest expense	(34,835)	(16,340)	(51,175)	(43,630)	—	(43,630)
Foreign exchange loss	(6,624)	(59)	(6,683)	(8,707)	—	(8,707)
(Loss) gain on fair value of investments	(1,063)	930	(133)	—	—	—
Gain on disposal of property and equipment	—	127	127	—	—	—
(Loss) earnings before income tax	(38,620)	43,930	5,310	(34,496)	—	(34,496)
Income tax recovery (expense)	4,198	(3,438)	760	4,104	—	4,104
Net (loss) income	(34,422)	40,492	6,070	(30,392)	—	(30,392)
Net income attributable to non-controlling interest	—	3,027	3,027	—	—	—
Net (loss) income attributable to Shareholders	(34,422)	37,465	3,043	(30,392)	—	(30,392)
Adjusted EBITDA(1)	121,462	98,060	219,522	111,328	—	111,328
Adjusted EBT(1)	16,005	54,828	70,833	1,054	—	1,054
Depreciation, amortization and impairment	89,199	26,955	116,154	84,517	—	84,517

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

The following table shows RAL's gross and net receivables:

(in thousands of Canadian dollars)	As at December 31, 2022			As at December 31, 2021		
	CACIL $	Falko $	Total $	CACIL $	Falko $	Total $
Total gross receivables	77,789	64,073	141,862	84,006	—	84,006
Allowance for expected credit loss	(5,848)	(21,161)	(27,009)	(7,212)	—	(7,212)
Total net receivables	71,941	42,912	114,853	76,794	—	76,794
Total gross receivables - US dollars	57,434	47,307	104,741	66,261	—	66,261
Total net receivables - US dollars	53,116	31,683	84,799	60,573	—	60,573

chorus aviation inc.

23 CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Year ended December 31,	
	2022	2021
(expressed in thousands of Canadian dollars)	$	$
Operating revenue	1,595,804	1,023,275
Operating expenses		
Salaries, wages and benefits	500,670	366,095
Depreciation, amortization and impairment	202,613	201,126
Aircraft maintenance materials, supplies and services	289,237	136,314
Airport and navigation fees	166,290	106,460
Terminal handling services	13,597	7,648
Other	235,131	134,653
	1,407,538	952,296
Operating income	188,266	70,979
Non-operating (expenses) income		
Interest revenue	4,047	880
Interest expense	(104,890)	(97,213)
Gain on disposal of property and equipment	172	1,725
Loss on fair value of investments	(133)	—
Foreign exchange loss	(13,612)	(4,595)
Other	—	344
	(114,416)	(98,859)
Income (loss) before income taxes	73,850	(27,880)
Income tax (expense) recovery		
Current income tax	(36,178)	(6,831)
Deferred income tax	14,245	14,226
	(21,933)	7,395
Net income (loss)	51,917	(20,485)
Net income attributable to non-controlling interest	3,027	—
Net income (loss) attributable to Shareholders	48,890	(20,485)
Preferred Share dividends declared	(22,902)	—
Earnings (loss) attributable to Common Shareholders	25,988	(20,485)

24 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.com, under "Reports".

25 GLOSSARY OF TERMS

This glossary of terms provides definitions for certain capitalized terms that are used but not otherwise defined in this MD&A.

"**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 (April) Capital Raise**" means the issuance of Equity Units and Series B Debentures which closed on April 6, 2021;

"**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;

"**2022 Warrants**" has the meaning given in this MD&A under the heading "Falko Acquisition and Private Placement";

"**6.00% Debentures**" means the 6.00% senior debentures of the Corporation due December 31, 2024 which, prior to their redemption on December 29, 2022, traded on the TSX under the symbol CHR.DB;

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

"**ABS Borrowers**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**ATR72-500**" and "**ATR72-600**" means the ATR 72-500 and 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;

"**Brookfield**" has the meaning given in this MD&A under the heading "Falko Acquisition and Private Placement";

"**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 and, where the context requires, includes its subsidiaries. Chorus Aviation Capital (Ireland) Limited is a subsidiary of the Corporation, renamed Falko (Ireland) Limited on January 13, 2023;

"**CEWS**" means the Canada Emergency Wage Subsidy;

"**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 (excluding Jazz Leasing);

"**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;

"**Collateral Security**" has the meaning given in this MD&A under the heading "Long-term debt – Convertible Units";

"**Common Shareholders**" means holders of Common Shares (excluding for the avoidance of doubt, the holders of Preferred Shares);

"**Common Shares**" means the Class B Voting Shares and Class A Variable Voting Shares excluding the Preferred Shares in the capital of the Corporation;

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

"**Corporate**" means the head-office expenses of the Corporation;

"**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;

"**Credit Parties**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

"**CRJ200**", "**CRJ700**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 200, CRJ 700, 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 turboprop aircraft, and "**Dash Aircraft**" means all of the foregoing;

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

"**E Note**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**E170**", "**E175**", "**E190**" and "**E195**" means, respectively, Embraer E170, 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;

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

"**Falko**" means Falko Regional Aircraft Limited, a private limited company incorporated under the *Companies Act 2006* (U.K.) on May 23, 2011, together with its subsidiaries and, where the context requires, includes the equity interests in certain aircraft and investment funds managed by such entities. Falko Regional Aircraft Limited is a subsidiary of the Corporation;

"**Falko Acquisition**" means the acquisition of Falko by indirect subsidiaries of the Corporation all as more particularly described in the Corporation's Material Change Report dated May 3, 2022;

"**Free Cash Flow**" means cash provided by operating activities less net changes in non-cash balances related to operations, capital expenditures excluding aircraft acquisitions and improvements plus net proceeds on asset sales;

"**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;

"**Investor Rights Agreement**" has the meaning given in this MD&A under the heading "Falko Acquisition and Private Placement";

"**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;

"**Leverage ratio**" means net debt to trailing 12-month Adjusted EBITDA;

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

"**Managed Aircraft**" means aircraft that are not wholly or majority-owned by Chorus but are managed by Falko (and its subsidiaries) in exchange for the payment by third parties of certain asset management fees;

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

"**New Intercreditor Agreements**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

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

"**Operating Credit Facility**" means the three-year committed operating credit facility dated October 14, 2021 and subsequently amended on January 27, 2023 between the Corporation as borrower, The Bank of Nova Scotia as administrative agent, issuing bank, sole lead arranger and bookrunner, and the lenders from time to time parties thereto;

"**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;

"**Preferred Shares**" means the series of preferred shares in the capital of the Corporation designated as "Series 1 Preferred Shares";

"**Prior Facility**" means the previous three-year committed operating credit facility that had a maturity date of August 30, 2022;

"**Private Placement**" has the meaning given in this MD&A under the heading "Falko Acquisition and Private Placement";

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

"**RAL**" means the Regional Aircraft Leasing segment which consists of CAC and all of its subsidiaries, including Falko and CACIL and the asset management and aircraft leasing businesses carried on by those entities;

"**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;

"**Regional 2021-1 ABS**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

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

"**Series A Debentures**" means the 5.75% senior unsecured debentures of the Corporation due December 31, 2024 which trade on the TSX under the symbol CHR.DB.A;

"**Series A Loans**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**Series B Debentures**" means the 6.00% convertible senior unsecured debentures of the Corporation due June 30, 2026 which trade on the TSX under the symbol CHR.DB.B;

"**Series C Debentures**" means the 5.75% senior unsecured debentures of the Corporation due June 30, 2027 which trade on the TSX under the symbol CHR.DB.C;

"**Shareholders**" means holders of Common Shares and Preferred Shares;

"**SOFR**" means the secured overnight financing rate;

"**Stapled Warrants**" means the warrants exercisable to acquire Common Shares at a price of $8.25 per Share (subject to certain adjustments) which were issued by the Corporation as part of the Convertible Units and expired with the redemption of the 6.00% Debentures on December 29, 2022;

"**Total Return Swap**" means the equity derivative contract entered into by the Corporation relating to its stock-based compensation programs;

"**Trustees**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

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

"**Unsecured Credit Facility**" means the US $100.0 million unsecured credit facility between the Corporation, as borrower, and Export Development Canada, as lender;

"**Unsecured Debentures**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

"**Unsecured Revolving Operating Credit Facility"** means the US $30.0 million unsecured operating credit facility entered into on May 2, 2022 and maturing February 2, 2023; and

"**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.

26 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes forward-looking information and statements. Forward-looking information and statements are 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 and statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information and statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking information and statements, by their nature, are based on assumptions, including those referenced below, and are 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 information and 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 and statements.

Examples of forward-looking information and statements 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 air traffic in Canada and around the world, Chorus’ future growth and competitive position, Chorus' ability to grow Falko's asset management business and realize the benefit of synergies among its subsidiaries, and the completion of pending or planned transactions (including the successful close of a new Falko-managed fund). Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including: Chorus' ability to successfully integrate Falko's operations and employees and realize the anticipated benefits of the Falko Acquisition, including the transition to an asset light leasing model; the potential impact of the completion of the Falko Acquisition on relationships, including with employees, suppliers, customers, investors and other providers of capital; Falko's ability to successfully launch a new fund on the terms currently contemplated or at all; deviations from the key assumptions described in the Outlook section; a prolonged duration of the COVID-19 pandemic (including as a result of the emergence of new COVID-19 variants) and/or further restrictive measures to minimize its public health impacts; the evolving impact of the COVID-19 pandemic on Chorus’ contractual counterparties; changes in aviation industry and general economic conditions including inflation; the continued payment (in whole or in part) of amounts due under the CPA and/or aircraft lease agreements with CAC's customers; the risk of disputes under the CPA and/or aircraft lease agreements with CAC's customers; 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.