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SECOND QUARTER 2023

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

Chorus Aviation Inc.

chorus

INTRODUCTION

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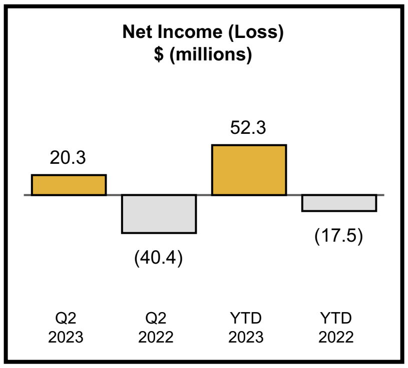
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries, including partnerships in which the Corporation holds a majority of the equity interests. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 24 - Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

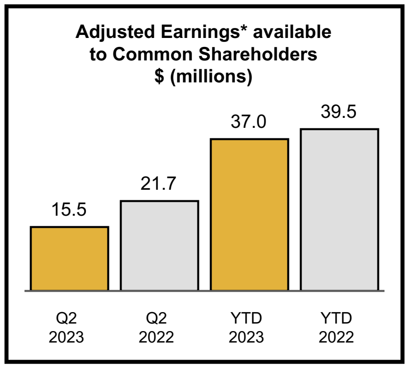
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus for the three and six-months ended June 30, 2023, the audited consolidated financial statements of Chorus for the year ended December 31, 2022, Chorus' MD&A dated February 15, 2023 in respect of the year ended December 31, 2022, and Chorus' Annual Information Form dated February 15, 2023 in respect of the year ended December 31, 2022. 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 August 3, 2023.

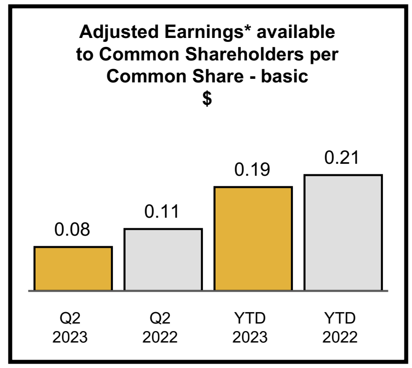
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

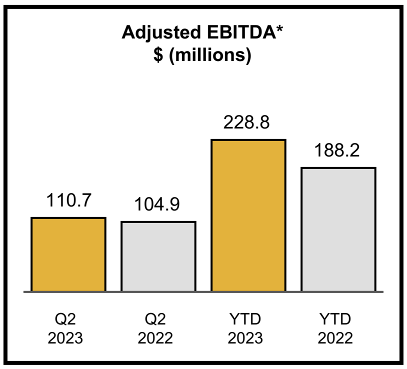
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

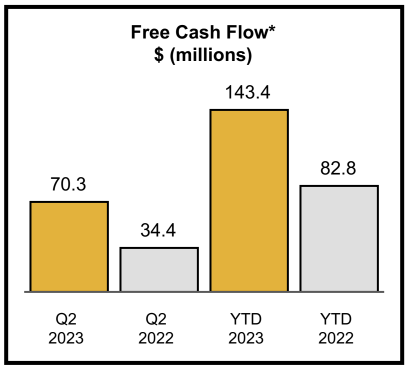
1 OVERVIEW

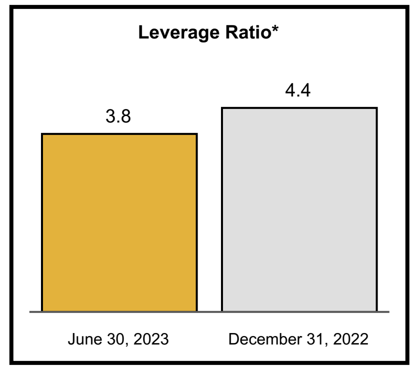












* These are non-GAAP financial measures and therefore do not have a standardized meaning and may not be comparable to similar financial measures disclosed by other issuers. Refer to Section 18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

Q2 2023 Financial Highlights:

- Net income of $20.3 million, a quarter-over-quarter increase of $60.7 million.
- Adjusted earnings available to Common Shareholders of $15.5 million, a decrease of $6.2 million quarter-over-quarter.
- Adjusted earnings available to Common Shareholders of $0.08 per Common Share, basic, a decrease of $0.03 quarter-over-quarter.
- Adjusted EBITDA of $110.7 million, an increase of $5.9 million quarter-over-quarter.
- Free Cash Flow of $70.3 million, an increase of $36.0 million or approximately 105.0%.
- Leverage Ratio improved to 3.8 at June 30, 2023 from 4.4 at December 31, 2022.

Chorus produced strong Free Cash Flows in the second quarter of 2023 and continues to execute on its asset light leasing and de-risking strategy with ongoing improvements to its Leverage Ratio. Chorus' Free Cash Flow improved quarter-over-quarter due to the addition of Falko and the decrease in restructuring charges related to aircraft repossessions in the FIL portfolio in the second quarter of 2022. Chorus is on track to meet its guidance given the contractual nature of its earnings (refer to Section 4 - Outlook).

Second Quarter Summary

In the second quarter of 2023, Chorus reported Adjusted EBITDA of $110.7 million, an increase of $5.9 million over the second quarter of 2022.

The RAL segment's Adjusted EBITDA was $57.3 million, an increase of $6.8 million primarily due to three months of Falko's earnings in the second quarter of 2023 versus two months in the second quarter of 2022 partially offset by decreased revenue related to the sale of wholly-owned aircraft in the second half of 2022.

The RAS segment's Adjusted EBITDA was $61.8 million and was in-line with the second quarter of 2022. Second quarter results were impacted by:

- an increase in aircraft leasing revenue under the CPA of $1.5 million primarily due to a higher US dollar exchange rate; and
- an increase in other revenue of $1.3 million due to an increase in parts sales, MRO activity and contract flying; offset by
- a contracted decrease in Fixed Margin of $0.8 million;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.8 million; and
- an increase in general administrative expenses attributable to increased operations.

Corporate Adjusted EBITDA of $(8.4) million was higher than the second quarter of 2022 by $0.9 million due to:

- an increase in general administrative expenses related to higher professional fees, salaries, wages and benefits and travel expenses; partially offset by
- a decrease in stock-based compensation of $1.1 million due to a decrease 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).

Adjusted net income was $25.6 million for the quarter, a decrease of $2.0 million over the second quarter of 2022 due to:

- an increase in depreciation expense of $4.4 million primarily attributable to Falko and capital expenditures in 2022;
- an increase of $2.9 million in income tax expense; and
- a change in net foreign exchange of $2.7 million; partially offset by
- a $5.9 million increase in Adjusted EBITDA as previously described;
- a decrease in net interest costs of $1.5 million primarily related to the redemption of the 6.00% Debentures in December 2022 and the recognition of income related to the discontinuance of hedge accounting on an interest rate swap; partially offset by interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility; and
- a change on fair value of investments of $0.8 million.

Net income increased $60.7 million over the second quarter of 2022 primarily due to:

- a change in net unrealized foreign exchange of $27.9 million;
- a decrease in impairment provisions of $20.5 million;
- a decrease in lease repossession costs of $10.7 million;
- a decrease in restructuring expected credit loss provision of $10.4 million; and
- a decrease in strategic advisory fees of $5.7 million; partially offset by
- the previously noted decrease in Adjusted net income of $2.0 million; and
- an increase in income tax expense on adjusted items of $12.8 million.

Year-to-Date Summary

Chorus reported Adjusted EBITDA of $228.8 million for 2023, an increase of $40.7 million over the same prior year period.

The RAL segment's Adjusted EBITDA was $118.9 million, an increase of $36.7 million primarily due to six months of Falko's earnings versus two months in the first half of 2022; partially offset by decreased revenue related to the sale of aircraft in the second half of 2022.

The RAS segment's Adjusted EBITDA was $125.7 million, an increase of $6.4 million due to:

- an increase in other revenue of $8.0 million due to an increase in parts sales, MRO activity and contract flying; and
- an increase in aircraft leasing revenue under the CPA of $3.9 million primarily due to a higher US dollar exchange rate; partially offset by
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $1.8 million;
- a contracted decrease in Fixed Margin of $1.5 million; and
- an increase in general administrative expenses attributable to increased operations.

Corporate Adjusted EBITDA of $(15.8) million was higher than the same period 2022 by $2.4 million due to:

- an increase in general administrative expenses related to higher professional fees, salaries, wages and benefits and travel expenses; partially offset by
- a decrease in stock-based compensation of $0.9 million due to a decrease 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).

Adjusted net income of $56.4 million, an increase of $11.1 million over the same prior year period primarily due to:

- a $40.7 million increase in Adjusted EBITDA as previously described; partially offset by
- an increase in depreciation expense of $17.4 million primarily attributable to Falko and capital expenditures in 2022;
- an increase of $8.2 million in income tax expense; and
- an increase in net interest costs of $4.0 million primarily related to interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility partially offset by the redemption of the 6.00% Debentures in December 2022 and the recognition of income related to the discontinuance of hedge accounting on an interest rate swap.

Net income of $52.3 million, an increase of $69.8 million over the same prior year period primarily due to:

- the previously noted increase in Adjusted net income of $11.1 million;
- a change in net foreign exchange of $25.4 million;
- a decrease in impairment provisions of $20.5 million;
- a decrease in restructuring credit loss provision of $10.4 million;
- a decrease in strategic advisory fees of $8.4 million;
- a decrease in lease repossession costs of $7.1 million; partially offset by
- an increase in income tax expenses on adjusted items of $13.0 million.

2 ABOUT CHORUS

Chorus is a leading, global aviation solutions provider and asset manager, focused on regional aviation. Chorus' principal subsidiaries are: Falko Regional Aircraft, the leading pure play regional aircraft asset manager and lessor, and managing investments on behalf of third-party fund investors; Jazz Aviation, the largest regional airline in Canada and provider of regional air services under the Air Canada Express brand; Voyageur Aviation, a leading provider of specialty charter, aircraft modifications, parts provisioning and in-service support services; and Cygnet Aviation Academy, an industry leading accredited training academy preparing pilots for direct entry into airlines.

Together, Chorus' subsidiaries provide 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; and pilot training.

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 and Operating Credit Facility, employee and stock-based compensation and professional fees.

Chorus groups its businesses into two reporting segments:

1) **Regional Aviation Services**: This segment includes all four sectors of the regional aviation industry in which Chorus currently operates (described below).

   a) <u>Contract flying</u>: 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) <u>Aircraft leasing</u>: 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) <u>MRO, part sales and technical services</u>: 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.

d) Pilot training: Cygnet is a pilot academy in Canada that, together with CAE Inc., enables cadets to achieve their Integrated Airline Transport Pilot License and acquire an airline specific type rating.

Jazz earns margin under the CPA in three 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. 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 bills for Controllable Costs (which are offset by Controllable Cost Revenue) and Pass-Through Costs (which are offset by Pass-Through Revenue) as follows:

a) 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**").

b) 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.

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 25 - 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". 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) Asset management fees: RAL earns asset management fees for managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners;

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

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

b) Earnings from wholly or majority-owned aircraft

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

   ii) Asset sales: 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. Regional aircraft are a strong asset class that are well suited to variable demand environments, supported by core global operators, are generally built to order and generate returns that have historically outperformed larger classes of aircraft.

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 intends to transition its regional aircraft leasing business 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 less capital intensive approach to growing the regional aircraft leasing business.
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, Chorus expects to generate significant cash flows that will enable the return of capital to Shareholders in the form of share buybacks and/or dividends and re-investment in accretive regional and specialty aviation 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 25 - Caution Regarding Forward-Looking Information).

Jazz's capacity is currently constrained as the industry-wide demand for pilots intensifies. In the past 12-months, Jazz has seen over 300 captain or captain-eligible pilots flow to Air Canada under the existing pilot flow agreement, along with attrition to other mainline airlines. In that same time period, Jazz has successfully hired and trained over 300 first officers and continues to see a good supply of new hire pilots.

Jazz expects this trend on flow of pilots to Air Canada and attrition to other airlines to continue in the near term.

The CPA provides a Fixed Fee to Jazz regardless of flying levels; therefore, the reduction in flying is not expected to have any impact on Jazz's earnings.

Falko continues to have positive and advancing discussions on its new fund (Fund III) with its existing lead investors in Fund II and others. Chorus is also routinely exploring opportunities to sell Falko's wholly-owned or majority-owned aircraft in order to advance the implementation of its asset light leasing strategy.

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
- Growth potential in 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 June 30, 2023, Ravelin Holdings LP held an interest in 39 aircraft with a net book value of US $397.9 million and secured debt of US $206.6 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 expected asset sales. Deleveraging amounts will vary from quarter-to-quarter depending on the timing and quantum of asset sales.
- **Growth**: Chorus intends to expand the number of Falko managed funds and the RAS business into adjacent and complementary specialty aviation business lines.

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

(unaudited) *(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
Leverage Ratio(1)(3)	3.6	4.0
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 $250.0 million and $275.0 million, Adjusted EBITDA is expected to be between $210.0 million and $235.0 million and Adjusted EBT is expected to be between $70.0 million and $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.

<u>2023 Key Economic Assumptions:</u>

- The forecast now assumes Fund III will close outside of the 2023 year. Fund III is anticipated to have (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).
- 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 June 30, 2023 balance of US $108.2 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 21 - RAL Receivables).

RAL's lease deferral receivable exposure is partially mitigated by security packages held of approximately US $17.5 million (December 31, 2022 - US $17.1 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:

(unaudited) *(expressed in thousands of Canadian dollars)*	Planned 2023[1] $	Actual Six months ended June 30, 2023 $	Actual Year ended December 31, 2022 $
Capital expenditures, excluding aircraft acquisitions	20,000 to 25,000	6,917	15,914
Capitalized major maintenance overhauls[2]	8,000 to 13,000	7,310	15,974
Aircraft acquisitions and improvements	8,000 to 12,000	4,177	30,392
	36,000 to 50,000	18,404	62,280

(1) The 2023 plan includes reconfiguration costs on aircraft and certain aircraft improvements which have been converted to Canadian from US dollars using a foreign exchange rate of 1.3240, the June 30, 2023 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 2023 and 2022 costs include $4.2 million and $10.1 million, respectively, which were included in Controllable Costs.

5 FLEET

As of June 30, 2023, Chorus' owned, managed and/or operated aircraft are as follows:

	Company	Segment	Aircraft Count
Aircraft Lease Portfolio			
Wholly or majority-owned aircraft[1]	Falko	RAL	124
Managed Aircraft[2][3]	Falko	RAL	92
RAL segment total[3]			216
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft lease portfolio subtotal			264
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]	Voyageur	RAS	17
RAS segment total[6]			145
Total			**361**

(1) FIL owns 62 of the 124 wholly or majority-owned aircraft.
(2) Chorus has a minority ownership interest in 58 aircraft and no ownership interest in 34 aircraft.
(3) RAL's total aircraft increased from the first quarter of 2023 due to the purchase of one Managed Aircraft at a 3.85% ownership.
(4) Excludes eight aircraft leased to Jazz which were acquired as part of the Falko Acquisition.
(5) Includes two Dash 8-100s and 15 Dash-300s.
(6) Inclusive of wholly-owned aircraft leased under the CPA.

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Regional Aircraft Leasing

The following table provides the total number of wholly-owned or majority-owned aircraft in the RAL segment as at June 30, 2023:

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

(1) Falko entered into an agreement for the return of all five Dash 8-400s on lease to SpiceJet. Chorus recorded aircraft impairments, restructuring expected credit loss provisions and lease repossession charges in the second quarter of 2022 related to these aircraft in the event the aircraft were repossessed. The 2023 forecast provided at year end included the estimated impact of these repossessions (refer to Section 4 - Outlook).

(2) Falko had eight off-lease aircraft as of June 30, 2023, three of which were off-lease as of December 31, 2022.

The following table provides the total number of Managed Aircraft in the RAL segment as at June 30, 2023:

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	5	3.85%
Porter	E190	5	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	5	3.85%
	E190	5	3.85%
Financial institutions	32 ATRs; 2 Dash 8-400	34	nil
		92	

Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at June 30, 2023:

	#	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)	4	4
Dash 8-300(3)	8	8
Dash 8-400	1	1
Total Voyageur Aircraft	22	22
Non-Operational Aircraft		
Dash 8-100	2	2
Dash 8-300	15	15
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 four aircraft leased to a third party.
(3) Includes six aircraft leased to a third party.

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6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022. 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 June 30,				Six months ended June 30,			
(unaudited) *(expressed in thousands of Canadian dollars)*	**2023** $	**2022** $	**Change** $	**Change** %	**2023** $	**2022** $	**Change** $	**Change** %
Operating revenue	396,775	392,343	4,432	1.1	812,027	734,723	77,304	10.5
Operating expenses	341,391	385,529	(44,138)	(11.4)	694,740	684,597	10,143	1.5
Operating income	55,384	6,814	48,570	712.8	117,287	50,126	67,161	134.0
Net interest expense	(23,652)	(25,105)	1,453	(5.8)	(49,110)	(45,159)	(3,951)	8.7
Foreign exchange gain (loss)	2,683	(22,441)	25,124	(112.0)	6,714	(17,992)	24,706	(137.3)
Gain on property and equipment	10	156	(146)	(93.6)	10	156	(146)	(93.6)
Gain (loss) on fair value of investments	599	(797)	1,396	(175.2)	2,491	(797)	3,288	(412.5)
Income (loss) before income tax	35,024	(41,373)	76,397	(184.7)	77,392	(13,666)	91,058	(666.3)
Income tax (expense) recovery	(14,706)	970	(15,676)	1,616.1	(25,055)	(3,830)	(21,225)	554.2
Net income (loss)	20,318	(40,403)	60,721	(150.3)	52,337	(17,496)	69,833	(399.1)
Net income attributable to non-controlling interest	1,267	439	828	188.6	1,757	439	1,318	300.2
Net income (loss) attributable to Shareholders	19,051	(40,842)	59,893	(146.6)	50,580	(17,935)	68,515	(382.0)
Preferred share dividends declared	(8,816)	(5,426)	(3,390)	62.5	(17,687)	(5,426)	(12,261)	226.0
Earnings (loss) attributable to Common Shareholders	10,235	(46,268)	56,503	(122.1)	32,893	(23,361)	56,254	(240.8)
Adjusted EBITDA(1)	110,748	104,871	5,877	5.6	228,804	188,151	40,653	21.6
Adjusted EBT(1)	35,045	34,189	856	2.5	76,834	57,535	19,299	33.5
Adjusted net income(1)	25,576	27,586	(2,010)	(7.3)	56,400	45,330	11,070	24.4

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

Three months ended June 30, 2023

For the three months ended June 30, 2023, consolidated operating revenue increased 1.1%, compared to the same period last year. Increased revenue in the RAL segment was primarily attributable to an additional month of Falko revenue in the quarter partially offset by decreased revenue related to sale of wholly-owned aircraft in the second half of 2022. Decreased revenue in the RAS segment was primarily attributable to a decrease in Controllable Cost Revenue as a result of decreased flying activity and the contracted decrease in the Fixed Margin; offset by increased Pass-Through Revenue as a result of costs primarily related to aircraft upgrades and increased other revenue due to increased parts sales, MRO activity and contract flying.

Operating expenses decreased 11.4% for the three months ended June 30, 2023 compared to the same period last year primarily due to lower impairment provisions, decreased lease repossession costs and restructuring expected credit loss provisions; offset by higher salaries, wages and benefits due to higher FTE counts, increased costs related to parts sales and increased Pass-Through Costs. In addition, Falko had three months of operating expenses in the second quarter of 2023 versus two months in the second quarter of 2022.

Net interest expense decreased 5.8% for the three months ended June 30, 2023 compared to the same period last year primarily due to the redemption of the 6.00% Debentures in December 2022 and the recognition of income related to the discontinuance of hedge accounting on an interest rate swap; partially offset by interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility.

Foreign exchange gains increased for the three months ended June 30, 2023 compared to the same period last year primarily related to an increase in unrealized foreign exchange gains on long-term debt offset by unrealized foreign exchange losses on intercompany loans and working capital. The June 30, 2023 closing exchange rate was 1.3240 compared to 1.3533 at March 31, 2023.

Gain on fair value of investments increased for the three months ended June 30, 2023 compared to the same period last year related to Chorus' 3.85% investment in Fund II and a change in investments held for trading.

Income tax expense increased for the three months ended June 30, 2023 compared to the same period last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange losses. In addition, in the second quarter of 2022, Chorus recognized a deferred tax asset on certain adjusted expenses related to repossessions of aircraft and lease restructurings in FIL's aircraft portfolio. In the second quarter of 2023, Chorus recognized a provision against the deferred tax asset as the aircraft have not yet been re-leased.

Six months ended June 30, 2023

For the six months ended June 30, 2023, consolidated operating revenue increased 10.5%, compared to the same period last year. Increased revenue in the RAS segment was primarily attributable to an increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased parts sales, MRO activity and contract flying. The increased revenue in the RAL segment was primarily attributable to six months of Falko's revenue versus two months in the first half of 2022 partially offset by decreased revenue related to the sale of wholly-owned aircraft in the second half of 2022.

Operating expenses increased 1.5% for the six months ended June 30, 2023 compared to the same period last year primarily due to higher salaries, wages and benefits due to higher FTE counts, increased costs related to parts sales, increased Pass-Through Costs and Falko had six months of operating expenses versus two months in the first half of 2022; offset by lower impairment provisions, decreased lease repossession costs and restructuring expected credit loss provisions.

Net interest expense increased 8.7% for the six months ended June 30, 2023 compared to the same period last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility partially offset by the redemption of the 6.00% Debentures in December 2022 and the recognition of income related to the discontinuance of hedge accounting on an interest rate swap.

Foreign exchange gains increased for the six months ended June 30, 2023 compared to the same period last year primarily related to an increase in unrealized foreign exchange gains on long-term debt offset by unrealized foreign exchange losses on intercompany loans and working capital. The June 30, 2023 closing exchange rate was 1.3240 compared to 1.3544 at December 31, 2022.

Gain on fair value of investments increased for the six months ended June 30, 2023 compared to the same period last year related to Chorus' 3.85% investment in Fund II and a change in investments held for trading.

Income tax expense increased for the six months ended June 30, 2023 compared to the same period last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange losses. In addition, in the second quarter of 2022, Chorus recognized a deferred tax asset on certain adjusted expenses related to repossessions of aircraft and lease restructurings in FIL's aircraft portfolio. In the second quarter of 2023, Chorus recognized a provision against the deferred tax asset as the aircraft have not yet been re-leased.

7 SEGMENTED ANALYSIS

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

(unaudited) *(in thousands of Canadian dollars)*	For the three months ended June 30, 2023				For the three months ended June 30, 2022			
	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Operating revenue	327,297	69,321	157	396,775	331,009	61,072	262	392,343
Operating expenses	289,454	43,339	8,598	341,391	291,233	80,733	13,563	385,529
Operating income (loss)	37,843	25,982	(8,441)	55,384	39,776	(19,661)	(13,301)	6,814
Net interest expense	(3,839)	(13,867)	(5,946)	(23,652)	(4,617)	(12,790)	(7,698)	(25,105)
Foreign exchange gain (loss)	9,908	682	(7,907)	2,683	(15,668)	(6,480)	(293)	(22,441)
Gain on property and equipment	10	—	—	10	29	127	—	156
Gain (loss) on fair value of investments	—	599	—	599	—	(797)	—	(797)
Earnings (loss) before income tax	43,922	13,396	(22,294)	35,024	19,520	(39,601)	(21,292)	(41,373)
Income tax (expense) recovery	(11,967)	(8,757)	6,018	(14,706)	(9,362)	4,584	5,748	970
Net income (loss)	**31,955**	**4,639**	**(16,276)**	**20,318**	**10,158**	**(35,017)**	**(15,544)**	**(40,403)**
Net income attributable to non-controlling interest	—	1,267	—	1,267	—	439	—	439
Net income (loss) attributable to Shareholders	31,955	3,372	(16,276)	19,051	10,158	(35,456)	(15,544)	(40,842)
Operating income (loss)	37,843	25,982	(8,441)	55,384	39,776	(19,661)	(13,301)	6,814
Depreciation and amortization excluding impairment(1)	22,632	26,760	63	49,455	21,292	23,722	63	45,077
Impairment provisions(1)	—	—	—	—	—	20,499	—	20,499
Restructuring expected credit loss provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Lease repossession costs(1)	—	3,989	—	3,989	—	14,728	—	14,728
Strategic advisory fees(1)	—	—	—	—	—	—	5,749	5,749
Gain on fund investments	—	603	—	603	—	—	—	—
Employee separation program(1)	1,317	—	—	1,317	804	847	—	1,651
Adjusted EBITDA(3)	**61,792**	**57,334**	**(8,378)**	**110,748**	**61,872**	**50,488**	**(7,489)**	**104,871**
Earnings (loss) before income tax	43,922	13,396	(22,294)	35,024	19,520	(39,601)	(21,292)	(41,373)
Impairment provisions(1)	—	—	—	—	—	20,499	—	20,499
Restructuring expected credit loss provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Lease repossession costs(1)	—	3,989	—	3,989	—	14,728	—	14,728
Strategic advisory fees(1)	—	—	—	—	—	—	5,749	5,749
Unrealized foreign exchange (gain) loss	(13,905)	(303)	8,923	(5,285)	14,921	6,176	1,485	22,582
Employee separation program(1)	1,317	—	—	1,317	804	847	—	1,651
Adjusted EBT(3)	**31,334**	**17,082**	**(13,371)**	**35,045**	**35,245**	**13,002**	**(14,058)**	**34,189**

(1) Included in operating expenses.
(2) Expected credit loss provision related to aircraft repossessions.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

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(unaudited) (in thousands of Canadian dollars)	For the six months ended June 30, 2023				For the six months ended June 30, 2022			
	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Operating revenue	666,725	144,942	360	812,027	637,273	96,893	557	734,723
Operating expenses	587,677	90,783	16,280	694,740	560,430	101,719	22,448	684,597
Operating income (loss)	79,048	54,159	(15,920)	117,287	76,843	(4,826)	(21,891)	50,126
Net interest expense	(7,928)	(29,724)	(11,458)	(49,110)	(9,475)	(20,665)	(15,019)	(45,159)
Foreign exchange gain (loss)	12,786	2,164	(8,236)	6,714	(8,049)	(9,713)	(230)	(17,992)
Gain on property and equipment	10	—	—	10	29	127	—	156
Gain (loss) on fair value of investments	—	2,491	—	2,491	—	(797)	—	(797)
Earnings (loss) before income tax	83,916	29,090	(35,614)	77,392	59,348	(35,874)	(37,140)	(13,666)
Income tax (expense) recovery	(23,480)	(11,189)	9,614	(25,055)	(17,432)	3,576	10,026	(3,830)
Net income (loss)	**60,436**	**17,901**	**(26,000)**	**52,337**	**41,916**	**(32,298)**	**(27,114)**	**(17,496)**
Net income attributable to non-controlling interest	—	1,757	—	1,757	—	439	—	439
Net income (loss) attributable to Shareholders	60,436	16,144	(26,000)	50,580	41,916	(32,737)	(27,114)	(17,935)
Operating income (loss)	79,048	54,159	(15,920)	117,287	76,843	(4,826)	(21,891)	50,126
Depreciation and amortization excluding impairment(1)	45,010	53,974	130	99,114	41,622	39,979	125	81,726
Impairment provisions(1)	—	—	—	—	—	20,499	—	20,499
Restructuring expected credit loss provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Employee separation program(1)	1,607	—	—	1,607	804	847	—	1,651
Strategic advisory fees(1)	—	—	—	—	—	—	8,422	8,422
Gain on fund investments	—	2,504	—	2,504	—	—	—	—
Lease repossession costs(1)	—	8,292	—	8,292	—	15,374	—	15,374
Adjusted EBITDA(3)	**125,665**	**118,929**	**(15,790)**	**228,804**	**119,269**	**82,226**	**(13,344)**	**188,151**
Earnings (loss) before income tax	83,916	29,090	(35,614)	77,392	59,348	(35,874)	(37,140)	(13,666)
Impairment provisions(1)	—	—	—	—	—	20,499	—	20,499
Restructuring expected credit loss provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Employee separation program(1)	1,607	—	—	1,607	804	847	—	1,651
Strategic advisory fees(1)	—	—	—	—	—	—	8,422	8,422
Lease repossession costs(1)	—	8,292	—	8,292	—	15,374	—	15,374
Unrealized foreign exchange (gain) loss	(17,735)	(1,888)	9,166	(10,457)	5,061	9,149	692	14,902
Adjusted EBT(3)	**67,788**	**35,494**	**(26,448)**	**76,834**	**65,213**	**20,348**	**(28,026)**	**57,535**

(1) Included in operating expenses.
(2) Expected credit loss provision related to aircraft repossessions.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

Operating Income

The RAS segment reported quarterly operating income of $37.8 million and year-to-date operating income of $79.0 million, a decrease of $1.9 million and an increase of $2.2 million, respectively compared to the same periods last year.

The results for the quarter were impacted by:

- an increase in aircraft leasing revenue under the CPA of $1.5 million primarily due to a higher US dollar exchange rate; and
- an increase in other revenue of $1.3 million due to an increase in parts sales, MRO activity and contract flying; partially offset by
- a contracted decrease in Fixed Margin of $0.8 million;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.8 million; and
- an increase in general administrative expenses attributable to increased operations.

The year-to-date results were impacted by:

- an increase in other revenue of $8.0 million due to an increase in parts sales, MRO activity and contract flying; and
- an increase in aircraft leasing revenue under the CPA of $3.9 million primarily due to a higher US dollar exchange rate; partially offset by
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $1.8 million;
- a contracted decrease in Fixed Margin of $1.5 million; and
- an increase in general administrative expenses attributable to increased operations.

Non-Operating Expenses

Foreign exchange was a gain for the three and six months ended June 30, 2023 compared to foreign exchange losses for the same periods last year. These changes are primarily unrealized and are related to US dollar loans and also includes foreign exchange on working capital. The June 30, 2023 closing exchange rate was 1.3240 compared to 1.3544 at December 31, 2022.

Adjusted EBITDA

Adjusted EBITDA was in-line for the three months ended June 30, 2023 compared to the same period last year primarily due to changes described above for operating income.

Adjusted EBITDA increased $6.4 million for the six months ended June 30, 2023 compared to the same period last year primarily due to changes described above for operating income.

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Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $881.0 million
- Approximately US $538.4 million in future contracted lease revenue[1,2]
- Current weighted average fleet age of 7.1 years[3]
- Current weighted average remaining lease term of 6.3 years[3]
- 100% of debt has a fixed rate of interest
- Current weighted average cost of borrowing of 3.34%

1 Refer to Section 25 - 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.
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 $26.0 million for the three months ended June 30, 2023, an increase of $45.6 million compared to the same period last year.

The quarter-over-quarter results were impacted by:

- a decrease in aircraft impairments, restructuring expected credit loss provisions and lease repossession charges primarily related to FIL's portfolio in the second quarter of 2022 which resulted in a $45.6 million charge;
- an increase in lease revenue of $7.0 million primarily related to three months of lease revenue in the second quarter of 2023 versus two months in the second quarter of 2022 for Falko; partially offset by a reduction in lease revenue related to the sale of wholly-owned aircraft in the second half of 2022; and
- an increase of $1.3 million in asset management fees related to an additional month of revenue versus the same period last year; partially offset by
- an increase in expenses primarily related to an additional month of expenses versus the same period last year for Falko; and
- an increase in depreciation expense related to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimate on certain aircraft.

The RAL segment reported an operating income of $54.2 million for the six months ended June 30, 2023, an increase of $59.0 million compared to the same period last year.

The year-to-date results were impacted by:

- a decrease in aircraft impairments, restructuring expected credit loss provisions and lease repossession charges primarily related to FIL's portfolio in the second quarter of 2022 which resulted in a $45.6 million charge;
- an increase in lease revenue of $42.2 million primarily related to six months of lease revenue in the first half of 2023 versus two months in the first half of 2022 for Falko; partially offset by a reduction in lease revenue related to the sale of wholly-owned aircraft in the second half of 2022; and

- an increase of $5.9 million in asset management fees related to four additional months of revenue versus the same period last year; partially offset by
- an increase in expenses primarily related to four additional months of expenses versus the same period last year for Falko; and
- an increase in depreciation expense related to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimate on certain aircraft.

Non-Operating Expenses

Net interest expense increased for the three months ended June 30, 2023 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 recognition of income related to the discontinuance of hedge accounting on an interest rate swap.

Net interest expense increased for the six months ended June 30, 2023 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 recognition of income related to the discontinuance of hedge accounting on an interest rate swap.

Gain on fair value of investments increased for the three and six months ended June 30, 2023 compared to the same periods last year primarily related to a 3.85% investment in Fund II and a change in investments held for trading.

Adjusted EBT

Adjusted EBT increased by $4.1 million for the three months ended June 30, 2023 compared to the same period last year primarily due to three months of Falko's earnings in the second quarter of 2023 versus two months in the second quarter of 2022 offset by increased depreciation expense.

Adjusted EBT increased by $15.1 million for the six months ended June 30, 2023 compared to the same period last year primarily due to six months of Falko's earnings in the first half of 2023 versus two months in the first half of 2022 offset by increased depreciation expense.

Portfolio

Fleet *(as at June 30, 2023)*

- Fleet of 124 wholly or majority-owned aircraft
- Approximately US $766.8 million in future contracted lease revenue[1]
- RAL collected approximately 90.8% of lease revenue billed in the second quarter of 2023
- Current net book value of approximately US $1.6 billion
- Current weighted average fleet age of 8.5 years[2]
- Current weighted average remaining lease term of 4.4 years[2]
- The RAL segment has limited net exposure to changes in interest rates because 91.2% 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 4.82%

1 Refer to Section 25 - Caution Regarding Forward-Looking Information.
2 Fleet age and remaining lease term is calculated based on the weighted-average of aircraft net book value.

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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' target Leverage Ratio is 2.5 to 3.5 by December 31, 2024 (refer to Section 25 - Caution Regarding Forward-Looking Information).

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 June 30, 2023 and December 31, 2022.

(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2023 $**	**December 31 2022 $**	**Change $**
Equity			
Capital	784,405	788,698	(4,293)
Contributed surplus	1,034,663	1,037,801	(3,138)
Deficit	(667,433)	(702,412)	34,979
Exchange differences on foreign operations	15,160	28,437	(13,277)
Equity component of convertible debentures	2,683	2,683	—
Warrants	24,366	24,366	—
	1,193,844	1,179,573	14,271
Long-term debt	1,915,181	2,018,967	(103,786)
Lease liabilities	8,856	11,309	(2,453)
Total capital	3,117,881	3,209,849	(91,968)

As at July 24, 2023 and December 31, 2022, the issued and outstanding shares of Chorus were as follows:

(unaudited)	**July 24, 2023**	**December 31, 2022**
Total issued and outstanding Common Shares	194,715,595	201,332,016
Common Shares potentially issuable		
Stock-based compensation plans	6,910,079	5,643,765
Total outstanding and potentially dilutive Common Shares	201,625,674	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 normal course issuer bid (the "**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 8,335,393 Common Shares between the start of the NCIB on November 14, 2022 and June 30, 2023. 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:

(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2023** **$**	**December 31, 2022** **$**
Secured long-term debt and credit facilities[(1)]		
Amortizing term loans		
Secured by aircraft	1,171,016	1,293,761
Secured by engines	3,753	4,507
Warehouse credit facility	74,145	85,847
Nova Scotia Jobs Fund loan - secured by office building	5,000	5,000
Asset backed securitization	281,707	309,665
Operating Credit Facility	90,592	—
	1,626,213	1,698,780
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	66,200	101,580
	1,936,163	2,044,110
Less:		
Deferred financing fees	(11,157)	(12,816)
Accretion discount on amortizing term loans and asset backed securitization	(8,100)	(10,348)
Accretion discount on convertible debentures	(1,725)	(1,979)
	1,915,181	2,018,967
Less: Current portion[(2)]	308,791	340,308
	1,606,390	1,678,659

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at 1.3240 which was the exchange rate in effect at closing on June 30, 2023 (December 31, 2022 - 1.3544).

(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.4 million and interest accretion of $3.9 million, respectively for the period ended June 30, 2023 (December 31, 2022 - $1.5 million and $3.9 million, 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 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 available 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 4.40%, 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.

FIL's amortizing term loans for aircraft require the principal amount to be repaid prior to maturity if the aircraft comes off-lease and is not re-leased in accordance with the loan's requirements within a prescribed remarketing period ranging from six to 24 months (depending on the loan). FIL currently has six aircraft that are off-lease, which have loans with remarketing period exemptions provided that Chorus continues to make the regularly scheduled principal and interest payments and otherwise comply with the loan terms.

Chorus' engine loans are repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.25%, 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 8.03%, 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 5.43%.

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 $255.0 million of Series A Loans (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) and subsidiaries of FIL 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 FIL have entered into financing agreements in connection with the acquisition of aircraft. CACC, FIL 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 June 30, 2023, 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.

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, mature on December 31, 2024 and can be repaid any time after December 31, 2023 at the principal amount plus accrued and unpaid interest.

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, mature on June 30, 2026 and can be repaid any time after June 30, 2025 at the principal amount plus accrued and unpaid interest. 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, mature on June 30, 2027 and can be repaid any time after June 30, 2026 at the principal amount plus accrued and unpaid interest.

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 $100.0 million Operating Credit Facility to extend the maturity date to January 27, 2026 and add a $50.0 million uncommitted accordion feature. In March 2023, Chorus partially exercised the accordion feature under the committed operating credit facility, thereby increasing the limit from $100.0 million to $125.0 million and on May 5, 2023 Chorus exercised the remaining $25.0 million accordion feature under the committed Operating Credit Facility, thereby increasing the limit from $125.0 million to $150.0 million.

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 $150.0 million, subject to a borrowing base calculation. Chorus has also provided letters of credit totaling $9.4 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 specified entities including CACC and its subsidiaries. Any outstanding balance under this facility is immediately repayable if the Corporation undergoes a change in control without the lender’s consent. It contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio.

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 the Corporation's profile on SEDAR at www.sedar.com.

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 3.25% until January 2024 and LIBOR plus 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 FIL.

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 June 30, 2023, 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 repaid over eight equal instalments of US $12.5 million principal plus interest starting in July 2022 and ending in April 2024. For the period ended June 30, 2023, this facility bears interest at the US dollar LIBOR rate plus 5.00%. For periods ended after June 30, 2023, this facility bears interest at SOFR plus 5.00%.

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 June 30, 2023, excluding unamortized deferred financing fees and interest accretion, are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	$
No later than one year	314,098
Later than one year and no later than five years	1,361,240
Later than five years	260,825
	1,936,163

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 June 30, 2023, Chorus' largest lender held approximately 47% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes 7% under the Unsecured Credit Facility, FIL's subsidiaries owe approximately 42% 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 44% of the debt owed by FIL's subsidiaries 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 FIL's subsidiaries, 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 June 30, 2023, 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 June 30, 2023, 91.3% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 8.7% 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. There is an economic relationship between the hedged item and cash flow hedge, as notional amounts match and the fair value of the hedged item and cash flow hedge move in response to the same risk. The hedge ratio is determined by dividing the notional amount of the interest rate swap contract by the notional amount used to calculate the actual interest payments.

Chorus uses the hypothetical derivative method to assess hedge ineffectiveness. Under the hypothetical derivative method the critical terms of the hypothetical derivative will exactly match those of the hedged item. Hedge ineffectiveness can arise due to credit risk in the fair value of the cash flow hedge not being replicated in the hedged item and changes to the forecasted amount of cash flow of hedged items and hedging instruments.

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.

As at June 30, 2023, Chorus had eight (December 31, 2022 - ten) interest rate swap agreements with notional amounts totaling $131.6 million (December 31, 2022 - $169.2 million). The fair value of interest rate swaps was as follows:

	As at	
(unaudited) *(in thousands of Canadian dollars)*	**June 30, 2023** **$**	**December 31, 2022** **$**
Other long-term assets		
Interest rate swaps	4,103	6,065

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

(unaudited) (in thousands of Canadian dollars)	Three months ended June 30, 2023 $	 2022 $	Six months ended June 30, 2023 $	 2022 $
Other comprehensive (loss) income				
Change in fair value of financial assets and liabilities, net of tax expense of $12 and $159 (2022 - $237 and $834)	(1,933)	1,652	(2,960)	5,836
Income statement				
Gain on ineffective interest rate swap(1)	1,811	632	1,688	1,040

(1) Includes the recognition of a gain of $1.8 million in interest expense related to the discontinuance of hedge accounting on an interest rate swap recycled from other comprehensive income.

In April 2023, the Financial Conduct Authority announced that following the official discontinuation of USD LIBOR on June 30, 2023 a synthetic USD LIBOR reference rate would continue to be published until September 2024. 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 do not mature before September 2024. As at June 30, 2023, Chorus had 13 loans which totaled $156.0 million and five derivative agreements which referenced notional amounts totaling $91.6 million that will be impacted by the transition from USD LIBOR to alternative reference rates. 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 as a result of this transition (refer to Section 25 - 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. Chorus' risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows.

An interest rate change of 25 basis points would not have a material impact on annual net income as a result of Chorus' exposure to interest rate fluctuations on its floating rate debt.

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 $62.8 million and US denominated financial liabilities was $476.1 million at June 30, 2023. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $4.1 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 7.3 million Common Shares priced at $3.16 per Common Share and matures in March 2024. 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 losses on the Total Return Swap as follows:

	Three months ended June 30,		**Six months ended June 30,**	
(unaudited) *(in thousands of Canadian dollars)*	**2023** **$**	**2022** **$**	**2023** **$**	**2022** **$**
Income statement				
Loss on Total Return Swap	1,180	3,163	1,646	275

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 June 30, 2023, Chorus' liquidity was $145.0 million including cash of $95.0 million and $50.0 million of available credit under its Operating Credit Facility. Liquidity decreased from the first quarter of 2023 by $19.4 million primarily due to: scheduled payments on long-term debt and an investment in working capital; partially offset by strong cash flows from operations.

During the quarter, Chorus generated cash flow from operations of $47.0 million. Other key changes during the quarter which decreased cash were as follows:

- Scheduled debt repayment of $82.3 million;
- Investment in working capital of $30.8 million including a cash tax payment of $19.0 million primarily due to an aircraft sale in 2022 and an increase in the Air Canada receivable of $18.2 million primarily related to increased engine overhaul maintenance events;
- Capital expenditures of $9.5 million; and
- Payment of Preferred Share dividends of $8.8 million; partially offset by
- Operating Credit Facility draw of $50.4 million;
- An increase in security deposits and maintenance reserves of $25.0 million; and
- Proceeds on return of investments of $5.2 million.

At June 30, 2023, the Controllable Cost Guardrail receivable was $27.4 million.

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 June 30, 2023 balance sheet was $112.6 million (December 31, 2022 - $228.9 million). The current portion of contracted aircraft operating lease receivables as at June 30, 2023 is estimated to be approximately $360.8 million converted to CAD at the June 30, 2023 rate of 1.3240. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately $248.2 million. (Refer to Section 25 - Caution Regarding Forward-Looking Information.)

Leverage

Chorus' Leverage Ratio improved to 3.8 at June 30, 2023 from 4.4 at December 31, 2022 as a result of Chorus' increase in the trailing 12-months Adjusted EBITDA of $40.7 million and a decrease in long-term borrowings. (Refer to Section 18 - Non-GAAP Financial Measures.)

Cash Flows

The following table provides information on Chorus' cash flows for the three and six months ended June 30, 2023 and June 30, 2022.

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
Cash provided by operating activities	46,974	63,251	114,227	104,927
Cash (used in) provided by financing activities	(42,433)	456,212	(118,096)	410,411
Cash provided by (used in) investing activities	21,769	(490,031)	23,498	(508,230)
Cash flow from operating, financing and investing activities	26,310	29,432	19,629	7,108
Effect of foreign exchange rate changes on cash	(4,446)	6,974	(4,167)	4,660
Net change in cash during the periods	21,864	36,406	15,462	11,768
Cash and restricted cash – Beginning of periods	161,509	153,808	167,911	178,446
Cash and restricted cash – End of periods	183,373	190,214	183,373	190,214

Cash provided by operating activities

Chorus had cash inflows from operating activities of $47.0 million for the three months ended June 30, 2023, compared to cash inflows from operating activities of $63.3 million for the three months ended June 30, 2022. The decrease was primarily due to an increase in investment in working capital primarily related to a decrease in current income tax payable and an increase in the receivable from Air Canada partially related to increased engine overhaul maintenance events. These decreases were partially offset by an increase in operating income.

Chorus had cash inflows from operating activities of $114.2 million for the six months ended June 30, 2023, compared to cash inflows from operating activities of $104.9 million for the six months ended June 30, 2022. The increase was primarily due to an increase in operating income partially offset by an increase in investment in working capital primarily related to a decrease in accounts payable and accrued liabilities and current income tax payable; offset by a decrease in the receivable from Air Canada.

Cash (used in) provided by financing activities

Cash used in financing activities for the three months ended June 30, 2023 was $42.4 million, comprised primarily of payments on long-term borrowings of $82.3 million and payment of dividends on the Preferred Shares of $8.8 million; partially offset by a draw on the Operating Credit Facility of $50.4 million.

Cash provided by financing activities for the three months ended June 30, 2022 was $456.2 million, comprised primarily of net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition and new long-term borrowings of $60.0 million; partially offset by payments on scheduled long-term borrowings of $67.4 million.

Cash used in financing activities for the six months ended June 30, 2023 was $118.1 million, comprised primarily of payments on long-term borrowings of $166.2 million, repurchase of Common Shares under the NCIB of $22.2 million, and payment of dividends on the Preferred Shares of $17.5 million; partially offset by a draw on the Operating Credit Facility of $90.4 million.

Cash provided by financing activities for the six months ended June 30, 2022 was $410.4 million, comprised primarily of net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition and new long-term borrowings of $60.0 million; partially offset by payments on scheduled long-term borrowings of $112.1 million.

Cash provided by (used in) investing activities

Cash provided by investing activities for the three months ended June 30, 2023 was $21.8 million, which includes increased security deposits and maintenance reserves of $25.0 million related to leased aircraft and proceeds on return of investments of $5.2 million; offset by capital expenditures of $9.5 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 three months ended June 30, 2022 was $490.0 million, which included the Falko Acquisition, net of cash acquired of $464.8 million, capital expenditures of $20.2 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and decreased security deposits and maintenance reserves of $6.1 million related to leased aircraft.

Cash provided by investing activities for the six months ended June 30, 2023 was $23.5 million, which includes increased security deposits and maintenance reserves of $36.3 million related to leased aircraft and proceeds on return of investments of $5.2 million; 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 and a fund investment of $1.6 million.

Cash used in investing activities for the six months ended June 30, 2022 was $508.2 million, which included the Falko Acquisition, net of cash acquired of $464.8 million, capital expenditures of $31.8 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and decreased security deposits and maintenance reserves of $13.3 million related to leased aircraft.

Capital expenditures

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

(unaudited) *(expressed in thousands of Canadian dollars)*	**Three months ended June 30,**			**Six months ended June 30,**		
	2023 **$**	**2022** **$**	**Change** **$**	**2023** **$**	**2022** **$**	**Change** **$**
Capital expenditures, excluding aircraft acquisitions	3,756	2,427	1,329	6,917	3,836	3,081
Capitalized major maintenance overhauls	3,711	4,264	(553)	7,310	10,203	(2,893)
Aircraft acquisitions and improvements[1]	2,035	13,493	(11,458)	4,177	17,780	(13,603)
Total capital expenditures	9,502	20,184	(10,682)	18,404	31,819	(13,415)

(1) Includes reconfiguration costs on certain off-lease and re-leased aircraft.

Commitments for capital expenditures

Chorus does not have any 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 quarterly and paid in US dollars in the following month.

For the three and six months ended June 30, 2023, the Corporation declared $8.8 million and $17.7 million, respectively in Preferred Share dividends ($5.4 million for the three and six months ended June 30, 2022).

For the three and six months ended June 30, 2023, the Corporation paid $8.8 million and $17.5 million, respectively in Preferred Share dividends (2022 - $nil).

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 Falko, 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]

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.

[1] (Refer to Section 25 - 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.

13 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2022 consolidated financial statements except for the following:

Revenue from contracts with customers

Chorus recognizes revenue upon the transfer of control of promised goods or services to students, in an amount that reflects the consideration expected to be received for those goods or services. Chorus will generate vocational revenue through the provision of pilot training operations to domestic and international students. Revenue is recognized using a straight-line basis over the term of the training course.

Revenue for books and electronic equipment are recognized when delivered to the student. Revenue for license fees are recognized when the underlying license is provided to the students.

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 9 of Chorus' annual MD&A dated February 15, 2023. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; fair value through other comprehensive income; and amortized cost. With the exception of the items noted below, all financial instruments have fair value that approximate carrying value due to their short-term nature.

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, long-term lease and deferral receivables, 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 lease and deferral receivables 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:

(unaudited) (expressed in thousands of Canadian dollars)	As at June 30, 2023			As at December 31, 2022		
	Fair value	Carrying value	Deferred financing fees(1)	Fair value	Carrying value	Deferred financing fees(1)
	$	$	$	$	$	$
Finance lease receivables(2)	37,158	43,904	—	46,871	46,954	—
Investments						
Held for trading(3)	82	82	—	85	85	—
Third party(4)	366	366	—	374	374	—
Fund investment(4)	23,913	23,913	—	25,549	25,549	—
Other long-term assets						
Interest rate swaps(5)	4,103	4,103	—	6,065	6,065	—
Long-term debt						
Amortizing term loans(6)	1,177,328	1,253,927	5,312	1,290,955	1,389,128	6,017
Asset backed securitization(6)	260,317	273,594	—	292,972	299,304	—
Series A Debentures(7)	82,791	86,250	1,289	81,722	86,250	1,690
Series B Debentures(7)	70,144	70,775	1,808	67,715	70,521	2,066
Series C Debentures(7)	70,550	85,000	2,748	71,825	85,000	3,043
Operating Credit Facility(8)	90,592	90,592	—	—	—	—
Unsecured Credit Facility(8)	65,321	66,200	—	99,657	101,580	—
Other long-term liabilities						
Total Return Swap(5)	1,133	1,133	—	3,813	3,813	—

(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 based on quoted prices observed in active markets and is classified as Level 1.
(8) Fair value is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

16 RELATED PARTY TRANSACTIONS

As at June 30, 2023, 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. In Chorus' 2022 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and operational effectiveness of both the DC&P and the ICFR.

In Chorus' second quarter 2023 filings, the CEO and CFO also certified, as required by National Instrument 52-109, the appropriateness of the financial disclosures, the design of both the DC&P and the ICFR based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

Due to inherent limitations, the ICFR and DC&P can only provide reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Chorus' internal control over financial reporting that occurred during the second quarter of 2023 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 unaudited interim condensed consolidated financial statements of Chorus for June 30, 2023 and approved these documents prior to their release.

18 NON-GAAP FINANCIAL MEASURES

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

Adjusted Net Income, Adjusted EBT and Adjusted EBITDA

Adjusted net income is 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, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, 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 25 - Caution Regarding Forward-Looking Information).

Adjusted earnings available to Common Shareholders per Common Share is used by Chorus to assess performance and is calculated as Adjusted Net Income less non-controlling interest and Preferred Share dividends declared.

Adjusted EBT and Adjusted 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 employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, 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 employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision 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 employee separation program costs, strategic advisory fees, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision 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 employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision 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.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30,			Six months ended June 30,		
	2023 $	**2022 $**	**Change $**	**2023 $**	**2022 $**	**Change $**
Net income (loss)	**20,318**	**(40,403)**	**60,721**	**52,337**	**(17,496)**	**69,833**
Add (Deduct) items to get to Adjusted net income						
Impairment provisions(1)	—	20,499	(20,499)	—	20,499	(20,499)
Restructuring expected credit loss provision(1)(2)	—	10,353	(10,353)	—	10,353	(10,353)
Employee separation program(1)	1,317	1,651	(334)	1,607	1,651	(44)
Strategic advisory fees(1)	—	5,749	(5,749)	—	8,422	(8,422)
Lease repossession costs(1)	3,989	14,728	(10,739)	8,292	15,374	(7,082)
Unrealized foreign exchange (gain) loss	(5,285)	22,582	(27,867)	(10,457)	14,902	(25,359)
Tax expense (recovery) on adjusted items(2)	5,237	(7,573)	12,810	4,621	(8,375)	12,996
	5,258	67,989	(62,731)	4,063	62,826	(58,763)
Adjusted net income	**25,576**	**27,586**	**(2,010)**	**56,400**	**45,330**	**11,070**
Add (Deduct) items to get to Adjusted EBT						
Income tax expense (recovery)	14,706	(970)	15,676	25,055	3,830	21,225
Tax (recovery) expense on adjusted items(2)	(5,237)	7,573	(12,810)	(4,621)	8,375	(12,996)
Adjusted EBT	**35,045**	**34,189**	**856**	**76,834**	**57,535**	**19,299**
Add (Deduct) items to get to Adjusted EBITDA						
Net interest expense	23,652	25,105	(1,453)	49,110	45,159	3,951
Depreciation and amortization excluding impairment	49,455	45,077	4,378	99,114	81,726	17,388
Foreign exchange loss (gain)	2,602	(141)	2,743	3,743	3,090	653
Gain on disposal of property and equipment	(10)	(156)	146	(10)	(156)	146
Loss on fair value of investments	4	797	(793)	13	797	(784)
	75,703	70,682	5,021	151,970	130,616	21,354
Adjusted EBITDA	**110,748**	**104,871**	**5,877**	**228,804**	**188,151**	**40,653**

(1) Included in operating expenses.
(2) In the second quarter of 2022, Chorus recognized a deferred tax asset on certain adjusted expenses related to repossessions of aircraft and lease restructurings in FIL's aircraft portfolio. In the second quarter of 2023, Chorus recognized a provision against the deferred tax asset as the aircraft have not yet been re-leased.

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Adjusted earnings available to Common Shareholders per Common Share

(unaudited) *(expressed in thousands of Canadian dollars, except per Share amounts)*	Three months ended June 30,			Six months ended June 30,		
	2023 **$**	**2022** **$**	**Change** **$**	**2023** **$**	**2022** **$**	**Change** **$**
Adjusted net income	**25,576**	**27,586**	**(2,010)**	**56,400**	**45,330**	**11,070**
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders						
Net income attributable to non-controlling interest	(1,267)	(439)	(828)	(1,757)	(439)	(1,318)
Preferred Share dividends declared	(8,816)	(5,426)	(3,390)	(17,687)	(5,426)	(12,261)
Adjusted earnings available to Common Shareholders	**15,493**	**21,721**	**(6,228)**	**36,956**	**39,465**	**(2,509)**
Adjusted earnings available to Common Shareholders per Common Share - basic	**0.08**	**0.11**	**(0.03)**	**0.19**	**0.21**	**(0.02)**

Leverage Ratio

Leverage Ratio 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 Ratio 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.

(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2023** **$**	**December 31, 2022** **$**	**Change** **$**
Long-term debt (including current portion)	1,924,037	2,030,276	(106,239)
Less:			
Cash	(94,990)	(100,027)	5,037
Net debt	1,829,047	1,930,249	(101,202)
Adjusted net debt	1,829,047	1,930,249	(101,202)
Adjusted EBITDA	481,699	441,046	40,653
Leverage Ratio	3.8	4.4	(0.6)

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

Chorus’ Leverage Ratio was 3.8 as at June 30, 2023, an improvement from its Leverage Ratio at December 31, 2022 of 4.4 primarily due to the earnings contribution of Falko and debt repayments as follows:

- As at June 30, 2023, net debt decreased by $101.2 million or 5.2% from December 31, 2022. The decrease was primarily related to payments on long-term borrowings of $166.2 million partially offset by a $90.6 million draw on the Operating Credit Facility.
- Adjusted EBITDA increased for the trailing 12-months ended June 30, 2023 compared to the trailing 12-months ended December 2022 primarily due to:
    - a decrease in restructuring expected credit loss provisions and lease repossession charges primarily related to FIL's portfolio in the second quarter of 2022 which resulted in a $25.1 million charge;
    - an increase related to 12 months of Falko's earnings contribution during the trailing 12-months ended June 30, 2023 versus eight months during the trailing 12-months ended December 31, 2022; and
    - an increase in other revenue related to increased parts sales, MRO activity and contract flying.

Free Cash Flow

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 Corporation 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 June 30,			Six months ended June 30,		
(unaudited) *(expressed in thousands of Canadian dollars)*	**2023** **$**	**2022** **$**	**Change** **$**	**2023** **$**	**2022** **$**	**Change** **$**
Cash provided by operating activities	46,974	63,251	(16,277)	114,227	104,927	9,300
Add (Deduct)						
Net changes in non-cash balances related to operations	30,838	(22,196)	53,034	43,407	(8,100)	51,507
Capital expenditures, excluding aircraft acquisitions	(3,756)	(2,427)	(1,329)	(6,917)	(3,836)	(3,081)
Capitalized major maintenance overhauls	(3,711)	(4,264)	553	(7,310)	(10,203)	2,893
Free Cash Flow(1)	**70,345**	**34,364**	**35,981**	**143,407**	**82,788**	**60,619**

(1) There were no net proceeds on asset sales for the three and six months ended June 30, 2023 and 2022.

Free Cash Flow was positively impacted by increased operating income for the three and six months ended June 30, 2023 due to:

- a decrease in restructuring expected credit loss provisions and lease repossession charges of $25.1 million primarily related to FIL's portfolio in the second quarter of 2022;
- an increase in revenue primarily due to six months of Falko's earnings versus two months in the first half of 2022; and
- increased other revenue due to an increase in parts sales, MRO activity and contract flying.

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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 and cash.

(unaudited) *(expressed in thousands of Canadian dollars)*	**Trailing 12-months ended** **June 30, 2023** **$**	**December 31, 2022** **$**	**Change** **$**
Adjusted Net Income	129,912	118,842	11,070
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(4,345)	(3,027)	(1,318)
Preferred Share dividends declared	(35,163)	(22,902)	(12,261)
Adjusted Net Income available to Common Shareholders	90,404	92,913	(2,509)

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	1,258,921	979,446	279,475
Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash			
Average Non-controlling interest	(87,297)	(44,425)	(42,872)
Average Preferred Shares	(375,217)	(187,608)	(187,609)
Average Cash	(82,857)	(111,800)	28,943
	713,550	635,613	77,937
Adjusted Return on Equity	12.7%	14.6%	(1.9)%

During the trailing 12-months ended June 30, 2023, the Adjusted Return on Equity decreased from the trailing 12-months ended December 31, 2022 to 12.7% primarily due to an increase in average equity attributable to Common Shareholders primarily related to the Common Shares issued to Brookfield as part of the Falko Acquisition being outstanding for 12 months during the trailing 12-months ended June 30, 2023 versus eight months during the trailing 12-months ended December 31, 2022 combined with the impact of the decrease in average cash balances.

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19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

(unaudited)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Chorus								
Total revenue ($000)	396,775	415,252	439,755	421,326	392,343	342,380	346,516	274,399
Net income (loss) ($000)	20,318	32,019	45,852	23,561	(40,403)	22,907	10,159	(14,082)
Adjusted net income[(1)] ($000)	25,576	30,824	31,826	41,686	27,587	17,743	21,456	15,310
Adjusted earnings available to Common Shareholders[(1)] ($000)	15,493	21,463	22,263	31,185	21,722	17,743	21,456	15,310
Adjusted EBITDA[(1)] ($000)	110,748	118,056	129,542	123,353	104,871	83,280	90,463	78,081
Earnings (loss) available to Common Shareholders per Common Share, basic ($)	0.05	0.11	0.18	0.06	(0.24)	0.13	0.06	(0.08)
Earnings (loss) available to Common Shareholders per Common Share, diluted ($)	0.05	0.11	0.18	0.06	(0.24)	0.13	0.06	(0.08)
Adjusted earnings available to Common Shareholders,[(1)] per Common Share - basic ($)	0.08	0.11	0.11	0.15	0.11	0.10	0.12	0.09
FTE employees (end of period)	4,811	4,804	4,829	4,928	4,783	4,583	4,426	4,175
Number of aircraft (end of period)	361	360	357	366	381	233	234	234
Average foreign exchange rates (USD-CAD)	1.3434	1.3518	1.3582	1.3048	1.2758	1.2666	1.2602	1.2596
Jazz								
Departures	39,807	36,775	40,744	46,070	41,832	30,978	39,014	30,820
Block Hours	62,724	61,661	68,086	76,412	68,837	50,839	64,403	49,890
Billable Block Hours	63,788	65,149	71,727	81,224	72,816	58,444	66,400	51,250

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

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20 REVENUE

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30,				Six months ended June 30,			
	2023	**2022**	**Change**	**Change**	**2023**	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Controllable Cost Revenue	193,667	201,535	(7,868)	(3.9)	391,216	387,812	3,404	0.9
Pass-Through Revenue	55,557	53,374	2,183	4.1	112,510	96,607	15,903	16.5
	249,224	254,909	(5,685)	(2.2)	503,726	484,419	19,307	4.0
Fixed Margin	15,820	16,580	(760)	(4.6)	31,640	33,160	(1,520)	(4.6)
Incentive Revenue	378	476	(98)	(20.6)	962	1,156	(194)	(16.8)
Aircraft leasing under the CPA	38,025	36,511	1,514	4.1	76,664	72,786	3,878	5.3
Other(1)	23,850	22,533	1,317	5.8	53,733	45,752	7,981	17.4
	78,073	76,100	1,973	2.6	**162,999**	152,854	10,145	6.6
RAS Revenue	**327,297**	**331,009**	**(3,712)**	**(1.1)**	**666,725**	**637,273**	**29,452**	**4.6**
Lease revenue	64,372	57,407	6,965	12.1	135,397	93,228	42,169	45.2
Asset management fees	4,949	3,665	1,284	35.0	9,545	3,665	5,880	160.4
RAL Revenue	**69,321**	**61,072**	**8,249**	**13.5**	**144,942**	**96,893**	**48,049**	**49.6**
Other(2)	157	262	(105)	(40.1)	360	557	(197)	(35.4)
Corporate Revenue	**157**	**262**	**(105)**	**(40.1)**	**360**	**557**	**(197)**	**(35.4)**
Total Revenue	**396,775**	**392,343**	**4,432**	**1.1**	**812,027**	**734,723**	**77,304**	**10.5**

(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.

21 RAL RECEIVABLES

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

(unaudited) (in thousands of Canadian dollars)	As at June 30, 2023	As at December 31, 2022
	Total	**Total**
	$	**$**
Total gross receivables	143,200	141,862
Allowance for expected credit loss	(27,459)	(27,009)
Total net receivables	115,741	114,853
Total gross receivables - US dollars	108,156	104,741
Total net receivables - US dollars	87,417	84,799

22 CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
Operating revenue	396,775	392,343	812,027	734,723
Operating expenses				
Salaries, wages and benefits	128,972	126,326	261,089	246,459
Depreciation, amortization and impairment	49,455	65,576	99,114	102,225
Aircraft maintenance materials, supplies and services	72,465	75,314	144,565	139,312
Airport and navigation fees	34,710	40,442	71,791	74,091
Terminal handling services	6,087	3,620	11,849	7,332
Other	49,702	74,251	106,332	115,178
	341,391	385,529	694,740	684,597
Operating income	55,384	6,814	117,287	50,126
Non-operating (expenses) income				
Interest revenue	1,233	941	2,716	1,085
Interest expense	(24,885)	(26,046)	(51,826)	(46,244)
Gain on disposal of property and equipment	10	156	10	156
Gain (loss) on fair value of investments	599	(797)	2,491	(797)
Foreign exchange gain (loss)	2,683	(22,441)	6,714	(17,992)
	(20,360)	(48,187)	(39,895)	(63,792)
Income (loss) before income taxes	35,024	(41,373)	77,392	(13,666)
Income tax (expense) recovery				
Current income tax	(5,301)	(3,864)	(8,796)	(9,247)
Deferred income tax	(9,405)	4,834	(16,259)	5,417
	(14,706)	970	(25,055)	(3,830)
Net income (loss)	20,318	(40,403)	52,337	(17,496)
Net income attributable to non-controlling interest	1,267	439	1,757	439
Net income (loss) attributable to Shareholders	19,051	(40,842)	50,580	(17,935)
Preferred Share dividends declared	(8,816)	(5,426)	(17,687)	(5,426)
Earnings (loss) attributable to Common Shareholders	10,235	(46,268)	32,893	(23,361)

23 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".

24 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 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";

"**CAC**" means CACC and its subsidiaries (excluding Jazz Leasing);

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

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

"**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;

"**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 Capacity Purchase Agreement ("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;

"**Cygnet**" has the meaning given in this MD&A under the heading "Overview – Business Highlights";

"**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;

"**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 Falko Regional Aircraft Limited and its affiliates. 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;

"**FIL**" means Falko (Ireland) Limited (formerly 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. Falko (Ireland) Limited is a subsidiary of the Corporation;

"**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;

"**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;

"**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;

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

"**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";

"**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 FIL and the asset management and aircraft leasing businesses carried on by those entities as well as Chorus' interests in aircraft investment funds which are managed by Falko;

"**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;

"**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"; 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.

25 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, Chorus’ future growth and competitive position, the growth of Falko's asset management business, the transition of Chorus' leasing business to an asset light leasing model, the generation of cash flows from asset sales and potential deployment of those proceeds to enhance returns to Shareholders and/or invest in accretive growth opportunities, the completion of pending or planned transactions (including the successful close of Falko's Fund III) and Jazz’s efforts to increase flying capacity under the CPA. Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including if: any one or more of the key assumptions described in the Outlook section fails to materialize; Chorus is unable to realize the anticipated benefits of the Falko Acquisition, including the transition to an asset light leasing model; Falko is unable to successfully launch Fund III on the terms currently contemplated or at all; Chorus (including any of its subsidiaries) is unable to attract and retain the type and number of human resources it needs to operate its business; new COVID-19 variants and/or new pandemic or endemic diseases emerge and restrictive measures are implemented to minimize their public health impacts; the effects of the COVID-19 pandemic continue to adversely impact the financial health of Chorus’ contractual counterparties; general economic conditions (including inflation and interest rates), worsen or general conditions for the aviation industry deteriorate; payments cease (in whole or in part) under the CPA and/or aircraft lease agreements with customers in RAL; disputes emerge under the CPA and/or aircraft lease agreements with customers in RAL; Chorus defaults under any of its debt covenants; asset impairments and/or provisions for expected credit losses are required; changes in law are made (including regulations relating to climate change) which adversely affect Chorus’ business; transactions (including potential financings) referenced in this MD&A fail to conclude on the terms currently contemplated or at all, and/or one or more of the risk factors referenced in Chorus’ most recent Annual Information Form, the risk factors in Section 8 - Capital Structure and Section 10 - Risk Factors of this MD&A and in the Corporation's’ public disclosure record available under its profile on www.sedar.com materializes. 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.