



chorus 

**THIRD QUARTER
2023**

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

Chorus Aviation Inc.



INTRODUCTION

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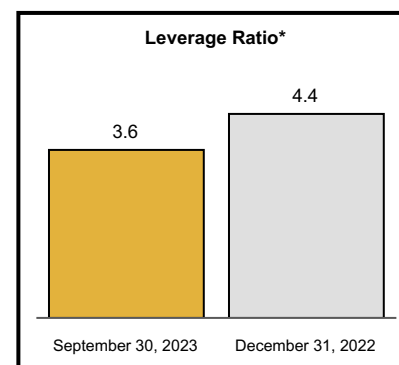
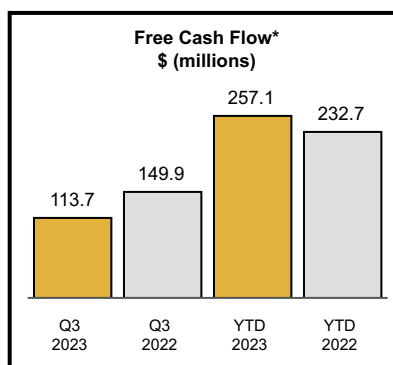
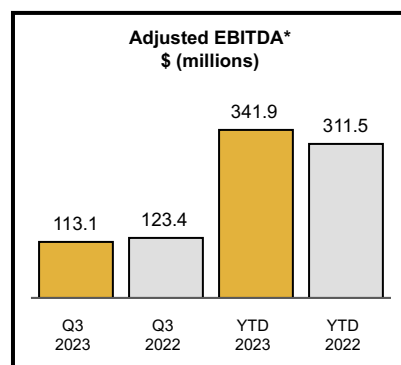
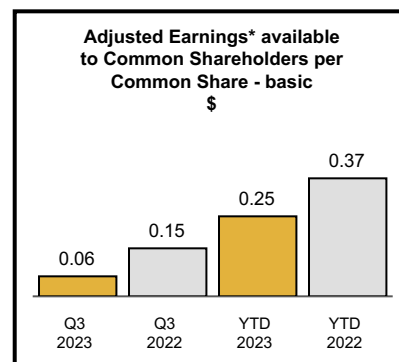
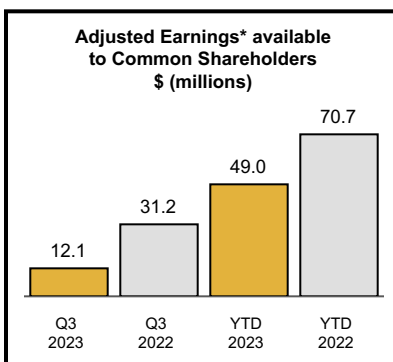
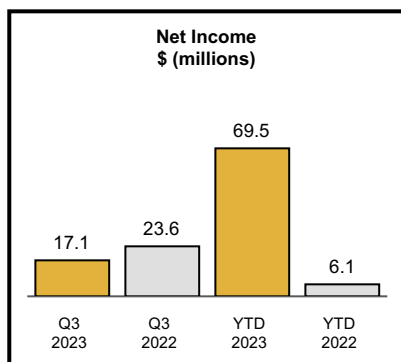
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries, including partnerships in which the Corporation holds a majority of the equity interests. Where this MD&A discusses the CPA, references to Chorus are exclusively 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 nine months ended September 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 November 8, 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, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section 18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

Q3 2023 Financial Highlights:

- Net income of \$17.1 million, a quarter-over-quarter decrease of \$6.4 million.
- Adjusted earnings available to Common Shareholders of \$12.1 million, a decrease of \$19.1 million quarter-over-quarter.
- Adjusted earnings available to Common Shareholders of \$0.06 per Common Share, basic, a decrease of \$0.09 quarter-over-quarter.
- Adjusted EBITDA of \$113.1 million, a decrease of \$10.2 million quarter-over-quarter.
- Free Cash Flow of \$113.7 million, a decrease of \$36.2 million quarter-over-quarter.
- Leverage Ratio improved to 3.6 at September 30, 2023 from 4.4 at December 31, 2022.

Chorus continues to make steady progress on its strategy and objective to deleverage its balance sheet with Leverage Ratio improving to 3.6 from 4.4 due to long-term debt reduction of \$259.8 million since year end. Chorus also generated solid Free Cash Flow of \$113.7 million and while lower than the prior period the reduction is largely due to the timing of asset sales in 2022 versus expected asset sales in 2023 (refer to Section 4 - Outlook).



Effective September 1, 2023, Jazz and the Air Line Pilots Association representing the Jazz pilots, entered into a modified collective agreement to address the changing pilot wage environment. Air Canada agreed to compensate Jazz for the one-time impact of the wage increase on the Jazz defined benefit pension plan of \$29.9 million ("**Defined Benefit Pension Revenue**") which will be repaid in 60 equal monthly payments beginning on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged directly to other comprehensive income and as a result, this one-time revenue has been removed from Chorus' adjusted income measures.

Third Quarter Summary

In the third quarter of 2023, Chorus reported Adjusted EBITDA of \$113.1 million, a decrease of \$10.2 million over the third quarter of 2022.

The RAL segment's Adjusted EBITDA was \$56.1 million, a decrease of \$13.7 million over the third quarter of 2022 primarily due to lower lease revenue of \$8.6 million related to the 2022 sale of wholly-owned aircraft, recovered claims in the Virgin Australia bankruptcy recorded in the amount of \$7.9 million and a decrease in net gain on sale of assets of \$2.7 million; offset by increased lease revenue from re-leased aircraft, the recognition of end of lease ("EOL") compensation of \$4.1 million and a higher US dollar exchange rate.

The RAS segment's Adjusted EBITDA was \$62.3 million an increase of \$0.3 million over the third quarter of 2022.

Corporate Adjusted EBITDA of \$(5.3) million improved from the third quarter of 2022 by \$3.2 million due to:

- a decrease in stock-based compensation of \$2.0 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); and
- a decrease in general administrative expenses related to lower professional fees, salaries, wages and benefits and travel expenses.

Adjusted net income was \$21.4 million for the quarter, a decrease of \$20.2 million over the third quarter of 2022 due to:

- a \$10.2 million decrease in Adjusted EBITDA as previously described;
- an increase in depreciation expense of \$4.9 million primarily attributable to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimates on certain aircraft;
- an increase of \$4.3 million in income tax expense; and
- a change in net foreign exchange of \$2.4 million; partially offset by
- a decrease in net interest costs of \$1.8 million primarily related to the redemption of the 6.00% Debentures in December 2022 partially offset by interest on the Operating Credit Facility.

Net income decreased \$6.4 million over the third quarter of 2022 primarily due to:

- the previously noted decrease in Adjusted net income of \$20.2 million;
- an increase in impairment provisions of \$25.7 million; and
- an increase in income tax expense on adjusted items of \$5.9 million; partially offset by
- the Defined Benefit Pension Revenue of \$29.9 million;
- a change in net unrealized foreign exchange of \$9.0 million;
- a decrease in lease repossession costs of \$5.1 million; and
- a decrease in employee separation program costs of \$1.2 million.



Year-to-Date Summary

Chorus reported Adjusted EBITDA of \$341.9 million for 2023, an increase of \$30.4 million over the same prior year period.

The RAL segment's Adjusted EBITDA was \$175.0 million, an increase of \$23.0 million over the same prior year period primarily due to an increase in lease revenue of \$33.5 million primarily attributable to four additional months of lease revenue versus the same period last year for Falko, increased lease revenue from re-leased aircraft, the release of EOL compensation of \$4.1 million and a higher US dollar exchange rate; partially offset by lower lease revenue of \$15.0 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of \$10.9 million.

The RAS segment's Adjusted EBITDA was \$188.0 million, an increase of \$6.7 million over the same prior year period due to:

- an increase in other revenue of \$7.0 million primarily due to Voyageur's increase in parts sales and MRO activity offset by a decrease in contract flying; and
- an increase in aircraft leasing revenue under the CPA of \$3.2 million primarily due to a higher US dollar exchange rate offset by a change in lease rates on certain aircraft; partially offset by
- a contracted decrease in Fixed Margin of \$2.3 million;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of \$2.2 million; and
- an increase in general administrative expenses attributable to increased operations.

Corporate Adjusted EBITDA of \$(21.1) million improved from the same period 2022 by \$0.7 million due to:

- a decrease in stock-based compensation of \$2.9 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); partially offset by
- an increase in general administrative expenses related to higher professional fees, salaries, wages and benefits and travel expenses.

Adjusted net income of \$77.8 million, a decrease of \$9.2 million over the same prior year period primarily due to:

- an increase in depreciation expense of \$22.3 million primarily attributable to Falko, capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimates on certain aircraft;
- an increase of \$12.5 million in income tax expense;
- a change in net foreign exchange of \$3.1 million; and
- an increase in net interest costs of \$2.2 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; partially offset by
- a \$30.4 million increase in Adjusted EBITDA as previously described; and
- a decrease of \$0.6 million on the fair value of investments.

Net income of \$69.5 million, an increase of \$63.4 million over the same prior year period primarily due to:

- a change in net foreign exchange of \$34.4 million;
- the Defined Benefit Pension Revenue of \$29.9 million;

- a decrease in lease repossession costs of \$12.2 million;
- a decrease in restructuring credit loss provision of \$10.4 million;
- a decrease in strategic advisory fees of \$8.5 million; and
- a decrease in employee separation program costs of \$1.3 million; partially offset by
- the previously noted decrease in Adjusted net income of \$9.2 million;
- an increase in income tax expenses on adjusted items of \$18.9 million; and
- an increase in impairment provisions of \$5.2 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) Contract flying:** Chorus provides contract flying services, commonly referred to as "wet leasing" through two of its wholly-owned subsidiaries: Jazz and Voyageur. Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada through its scheduled services under the CPA with Air Canada than any other Canadian airline. Air Canada makes all decisions with respect to flight scheduling and ticket sales, and bears all of the market risk associated with fluctuations in passenger ticket revenues.

Voyageur provides charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.
 - b) Aircraft leasing:** Jazz currently earns leasing revenue under the CPA from 48 wholly-owned aircraft and five spare engines. Voyageur also earns revenue from aircraft leasing.
 - c) MRO, part sales and technical services:** Jazz provides 24/7 MRO services and is certified on Dash 8, CRJ, and Embraer 135, 145 and 175 aircraft. Voyageur provides specialty, MRO and engineering services on Dash and CRJ aircraft. Voyageur also focuses on aircraft disassembly, aircraft parts provisioning and sales offering for its global customers.
 - 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 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 strategy of the leasing business is 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 remains constrained as the industry-wide demand for pilots continues. 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. Effective September 1, 2023, Jazz and the Air Line Pilots Association representing the Jazz pilots, entered into a modified collective agreement to address the changing pilot wage environment.

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

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

Falko continues to have positive 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 the tenth anniversary of the commencement of Fund I (2025). As of September 30, 2023, Ravelin Holdings LP held an interest in 39 aircraft with a net book value of US \$386.5 million and secured debt of US \$193.7 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:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	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⁾⁽⁴⁾	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 \$50.0 million and \$60.0 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, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section 18 for disclosures on non-GAAP financial measures.
- (4) Free Cash Flow includes the Defined Benefit Pension Revenue related to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan liability of \$29.9 million.

2023 Key Economic Assumptions:

- The forecast 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 receivable, primarily related to rent relief arrangements¹, may decrease from the September 30, 2023 balance of US \$111.1 million to between US \$100.0 million and US \$105.0 million by the end of 2023 due to repayment expectations (refer to Section 21 - RAL Receivables).

RAL's lease deferral receivable exposure is partially mitigated by security packages held of approximately US \$17.9 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:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Planned 2023 ⁽¹⁾ \$	Actual	
		Nine months ended September 30, 2023 \$	Year ended December 31, 2022 \$
Capital expenditures, excluding aircraft acquisitions	17,000 to 22,000	10,911	15,914
Capitalized major maintenance overhauls ⁽²⁾	8,000 to 13,000	9,696	15,974
Aircraft acquisitions and improvements	11,000 to 15,000	9,365	30,392
	36,000 to 50,000	29,972	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 1.3520, the September 30, 2023 closing day rate from the Bank of Canada.
- (2) The 2023 plan includes between \$5.0 million to \$7.0 million of costs that are expected to be included in Controllable Costs. Actual 2023 and 2022 costs include \$5.0 million and \$10.1 million, respectively, which were included in Controllable Costs.

5 FLEET

As of September 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	98
RAL segment total⁽³⁾			222
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft lease portfolio subtotal			270
Other Owned and/or Operated Aircraft			
Leased aircraft under the CPA - other Covered Aircraft ⁽⁴⁾	Jazz	RAS	55
Wholly-owned third-party leased and contract flying	Voyageur	RAS	23
Wholly-owned aircraft - non-operating ⁽⁵⁾	Voyageur	RAS	16
RAS segment total⁽⁶⁾			142
Total			364

- (1) FIL owns 62 of the 124 wholly or majority-owned aircraft.
- (2) Chorus has a minority ownership interest in 65 aircraft and no ownership interest in 33 aircraft.
- (3) RAL's total aircraft increased from the second quarter of 2023 due to the addition of seven Managed Aircraft at a 3.85% ownership and the reduction of one Managed Aircraft with no ownership interest.
- (4) Excludes 11 aircraft leased to Jazz which are owned/managed by Falko.
- (5) Includes two Dash 8-100s and 14 Dash-300s.
- (6) Inclusive of wholly-owned aircraft leased under the CPA.



Regional Aircraft Leasing

The following table provides the total number of wholly-owned or majority-owned aircraft in the RAL segment as at September 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%	7
	ATR72-600	100.00%	3
Azul	E190	67.45%	2
	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%	3
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
Waltzing Matilda	Dash 8-400	100.00%	2
Wings Air	ATR72-500	67.45%	10
	ATR72-600	100.00%	5
Off-lease ⁽¹⁾	Dash 8-400/E190	100.00%	7
			124

(1) Falko had seven off-lease aircraft as of September 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 September 30, 2023:

Customer	Aircraft Type	#	Ownership %
Air Canada	CRJ900	3	3.85%
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%
Eastern Airways	E170	1	3.85%
Ethiopian	Q400	4	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	4	3.85%
	E190	5	3.85%
Financial institutions	31 ATRs; 2 Dash 8-400	33	nil
		98	



Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at September 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	(11)	—
Total Aircraft	55	—
Voyageur Aircraft		
CRJ200	7	7
King Air 200	2	2
Dash 8-100 ⁽²⁾	4	4
Dash 8-300 ⁽³⁾	9	9
Dash 8-400	1	1
Total Voyageur Aircraft	23	23
Non-Operational Aircraft		
Dash 8-100	2	2
Dash 8-300	14	14
Total Non-Operational Aircraft	16	16
Total Regional Aviation Services	142	87

(1) Includes 11 aircraft leased from Falko: seven CRJ200s are wholly-owned by Falko and three CRJ900s are managed by Falko, which are leased to Air Canada and then further sub-leased to Jazz; and one CRJ900 is managed by Falko and leased to Jazz.

(2) Includes four aircraft leased to a third party.

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

6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Three months ended September 30,				Nine months ended September 30,			
	2023 \$	2022 \$	Change \$	Change %	2023 \$	2022 \$	Change \$	Change %
Operating revenue	447,596	421,326	26,270	6.2	1,259,623	1,156,049	103,574	9.0
Operating expenses	386,439	355,791	30,648	8.6	1,081,179	1,040,388	40,791	3.9
Operating income	61,157	65,535	(4,378)	(6.7)	178,444	115,661	62,783	54.3
Net interest expense	(25,081)	(26,875)	1,794	(6.7)	(74,191)	(72,034)	(2,157)	3.0
Foreign exchange (loss) gain	(3,179)	(9,766)	6,587	(67.4)	3,535	(27,758)	31,293	(112.7)
Gain on property and equipment	3	—	3	100.0	13	156	(143)	(91.7)
(Loss) gain on fair value of investments	(50)	224	(274)	(122.3)	2,441	(573)	3,014	(526.0)
Income before income tax	32,850	29,118	3,732	12.8	110,242	15,452	94,790	613.4
Income tax expense	(15,702)	(5,557)	(10,145)	(182.6)	(40,757)	(9,387)	(31,370)	334.2
Net income	17,148	23,561	(6,413)	(27.2)	69,485	6,065	63,420	1,045.7
Net income attributable to non-controlling interest	553	1,938	(1,385)	(71.5)	2,310	2,377	(67)	(2.8)
Net income attributable to Shareholders	16,595	21,623	(5,028)	(23.3)	67,175	3,688	63,487	1,721.4
Preferred share dividends declared	(8,799)	(8,563)	(236)	2.8	(26,486)	(13,989)	(12,497)	89.3
Earnings (loss) attributable to Common Shareholders	7,796	13,060	(5,264)	(40.3)	40,689	(10,301)	50,990	(495.0)
Adjusted EBITDA ⁽¹⁾	113,126	123,353	(10,227)	(8.3)	341,930	311,504	30,426	9.8
Adjusted EBT ⁽¹⁾	32,477	48,446	(15,969)	(33.0)	109,311	105,981	3,330	3.1
Adjusted net income ⁽¹⁾	21,440	41,686	(20,246)	(48.6)	77,840	87,016	(9,176)	(10.5)

(1) These are non-GAAP financial measures, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section 18 for disclosures on non-GAAP financial measures.

Three months ended September 30, 2023

For the three months ended September 30, 2023, consolidated operating revenue increased 6.2%, compared to the same period last year. Increased revenue in the RAS segment, excluding the Defined Benefit Pension Revenue of \$29.9 million, was primarily attributable to an increase in Controllable Cost Revenue partially offset by the contracted decrease in the Fixed Margin, decreased Pass-Through Revenue and decreased other revenue. Decreased revenue in the RAL segment was primarily attributable to lower lease revenue of \$8.6 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia bankruptcy recorded in the



amount of \$7.9 million; partially offset by increased lease revenue from re-leased aircraft, the recognition of EOL compensation of \$4.1 million and a higher US dollar exchange rate.

Operating expenses increased 8.6% for the three months ended September 30, 2023 compared to the same period last year primarily due to impairment provisions of \$25.7 million, increased engine overhaul maintenance events and increased costs related to parts sales partially offset by decreased lease repossession costs and decreased Pass-Through Costs.

Net interest expense decreased 6.7% for the three months ended September 30, 2023 compared to the same period last year primarily due to the redemption of the 6.00% Debentures in December 2022; partially offset by interest on the Operating Credit Facility.

Foreign exchange losses decreased for the three months ended September 30, 2023 compared to the same period last year primarily related to a decrease in unrealized foreign exchange losses on long-term debt offset by increased unrealized foreign exchange losses on intercompany loans and working capital. The September 30, 2023 closing exchange rate was 1.3520 compared to 1.3240 at June 30, 2023. The September 30, 2022 closing exchange rate was 1.3707 compared to 1.2886 at June 30, 2022.

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

Income tax expense increased for the three months ended September 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.

Nine months ended September 30, 2023

For the nine months ended September 30, 2023, consolidated operating revenue increased 9.0%, compared to the same period last year. Increased revenue in the RAS segment, excluding the Defined Benefit Pension Revenue of \$29.9 million, was primarily attributable to an increase in Controllable Cost Revenue, Pass-Through Revenue and increased other revenue. The increased revenue in the RAL segment was primarily attributable to four additional months of lease revenue versus the same period last year for Falko, increased lease revenue from re-leased aircraft, the release of EOL compensation of \$4.1 million and a higher US dollar exchange rate; partially offset by lower lease revenue of \$15.0 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of \$10.9 million.

Operating expenses increased 3.9% for the nine months ended September 30, 2023 compared to the same period last year primarily due to higher salaries, wages and benefits, increased costs related to parts sales, increased Pass-Through Costs, higher impairment provisions and the fact that Falko had nine months of operating expenses versus five months in 2022; partially offset by decreased lease repossession costs and restructuring expected credit loss provisions.

Net interest expense increased 3.0% for the nine months ended September 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 nine months ended September 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 September 30, 2023 closing exchange rate was 1.3520 compared to 1.3544 at December 31, 2022. The September 30, 2022 closing exchange rate was 1.3707 compared to 1.2678 at December 31, 2021.



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

Income tax expense increased for the nine months ended September 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 September 30, 2023				For the three months ended September 30, 2022			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue	377,711	69,698	187	447,596	340,066	81,064	196	421,326
Operating expenses	307,670	73,138	5,631	386,439	299,974	46,994	8,823	355,791
Operating income (loss)	70,041	(3,440)	(5,444)	61,157	40,092	34,070	(8,627)	65,535
Net interest expense	(3,790)	(14,625)	(6,666)	(25,081)	(4,408)	(14,261)	(8,206)	(26,875)
Foreign exchange (loss) gain	(7,753)	(3,328)	7,902	(3,179)	(27,550)	(7,418)	25,202	(9,766)
Gain on property and equipment	3	—	—	3	—	—	—	—
(Loss) gain on fair value of investments	—	(50)	—	(50)	—	224	—	224
Earnings (loss) before income tax	58,501	(21,443)	(4,208)	32,850	8,134	12,615	8,369	29,118
Income tax (expense) recovery	(16,523)	(315)	1,136	(15,702)	(4,572)	1,274	(2,259)	(5,557)
Net income (loss)	41,978	(21,758)	(3,072)	17,148	3,562	13,889	6,110	23,561
Net income attributable to non-controlling interest	—	553	—	553	—	1,938	—	1,938
Net income (loss) attributable to Shareholders	41,978	(22,311)	(3,072)	16,595	3,562	11,951	6,110	21,623
Operating income (loss)	70,041	(3,440)	(5,444)	61,157	40,092	34,070	(8,627)	65,535
Depreciation and amortization excluding impairment ⁽¹⁾	22,977	30,568	162	53,707	21,459	27,306	66	48,831
Impairment provisions ⁽¹⁾	—	25,674	—	25,674	—	—	—	—
Lease repossession costs ⁽¹⁾	—	3,357	—	3,357	—	8,443	—	8,443
Strategic advisory fees ⁽¹⁾	—	—	—	—	—	—	102	102
Defined Benefit Pension Revenue ⁽²⁾	(29,916)	—	—	(29,916)	—	—	—	—
Loss on fund investments	—	(50)	—	(50)	—	—	—	—
Employee separation program ⁽¹⁾	(803)	—	—	(803)	442	—	—	442
Adjusted EBITDA⁽³⁾	62,299	56,109	(5,282)	113,126	61,993	69,819	(8,459)	123,353
Earnings (loss) before income tax	58,501	(21,443)	(4,208)	32,850	8,134	12,615	8,369	29,118
Impairment provisions ⁽¹⁾	—	25,674	—	25,674	—	—	—	—
Lease repossession costs ⁽¹⁾	—	3,357	—	3,357	—	8,443	—	8,443
Strategic advisory fees ⁽¹⁾	—	—	—	—	—	—	102	102
Unrealized foreign exchange loss (gain)	6,069	3,547	(8,301)	1,315	31,106	7,656	(28,421)	10,341
Defined Benefit Pension Revenue ⁽²⁾	(29,916)	—	—	(29,916)	—	—	—	—
Employee separation program ⁽¹⁾	(803)	—	—	(803)	442	—	—	442
Adjusted EBT⁽³⁾	33,851	11,135	(12,509)	32,477	39,682	28,714	(19,950)	48,446

(1) Included in operating expenses.

(2) Air Canada agreed to compensate Jazz for the one-time impact of the wage increase on the Jazz defined benefit pension plan of \$29.9 million which will be repaid in 60 equal monthly payments beginning on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged directly to other comprehensive income.

(3) These are non-GAAP financial measures, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section 18 for disclosures on non-GAAP financial measures.

(unaudited) (in thousands of Canadian dollars)	For the nine months ended September 30, 2023				For the nine months ended September 30, 2022			
	Regional Aviation Services \$	Regional Aircraft Leasing \$	Corporate \$	Total \$	Regional Aviation Services \$	Regional Aircraft Leasing \$	Corporate \$	Total \$
Operating revenue	1,044,436	214,640	547	1,259,623	977,339	177,957	753	1,156,049
Operating expenses	895,347	163,921	21,911	1,081,179	860,404	148,713	31,271	1,040,388
Operating income (loss)	149,089	50,719	(21,364)	178,444	116,935	29,244	(30,518)	115,661
Net interest expense	(11,718)	(44,349)	(18,124)	(74,191)	(13,883)	(34,926)	(23,225)	(72,034)
Foreign exchange gain (loss)	5,033	(1,164)	(334)	3,535	(35,599)	(17,131)	24,972	(27,758)
Gain on property and equipment	13	—	—	13	29	127	—	156
Gain (loss) on fair value of investments	—	2,441	—	2,441	—	(573)	—	(573)
Earnings (loss) before income tax	142,417	7,647	(39,822)	110,242	67,482	(23,259)	(28,771)	15,452
Income tax (expense) recovery	(40,003)	(11,504)	10,750	(40,757)	(22,004)	4,850	7,767	(9,387)
Net income (loss)	102,414	(3,857)	(29,072)	69,485	45,478	(18,409)	(21,004)	6,065
Net income attributable to non-controlling interest	—	2,310	—	2,310	—	2,377	—	2,377
Net income (loss) attributable to Shareholders	102,414	(6,167)	(29,072)	67,175	45,478	(20,786)	(21,004)	3,688
Operating income (loss)	149,089	50,719	(21,364)	178,444	116,935	29,244	(30,518)	115,661
Depreciation and amortization excluding impairment ⁽¹⁾	67,987	84,542	292	152,821	63,081	67,285	191	130,557
Impairment provisions ⁽¹⁾	—	25,674	—	25,674	—	20,499	—	20,499
Restructuring expected credit loss provision ⁽¹⁾⁽²⁾	—	—	—	—	—	10,353	—	10,353
Employee separation program ⁽¹⁾	804	—	—	804	1,246	847	—	2,093
Strategic advisory fees ⁽¹⁾	—	—	—	—	—	—	8,524	8,524
Defined Benefit Pension Revenue ⁽³⁾	(29,916)	—	—	(29,916)	—	—	—	—
Gain on fund investments	—	2,454	—	2,454	—	—	—	—
Lease repossession costs ⁽¹⁾	—	11,649	—	11,649	—	23,817	—	23,817
Adjusted EBITDA⁽⁴⁾	187,964	175,038	(21,072)	341,930	181,262	152,045	(21,803)	311,504
Earnings (loss) before income tax	142,417	7,647	(39,822)	110,242	67,482	(23,259)	(28,771)	15,452
Impairment provisions ⁽¹⁾	—	25,674	—	25,674	—	20,499	—	20,499
Restructuring expected credit loss provision ⁽¹⁾⁽²⁾	—	—	—	—	—	10,353	—	10,353
Employee separation program ⁽¹⁾	804	—	—	804	1,246	847	—	2,093
Strategic advisory fees ⁽¹⁾	—	—	—	—	—	—	8,524	8,524
Defined Benefit Pension Revenue ⁽³⁾	(29,916)	—	—	(29,916)	—	—	—	—
Lease repossession costs ⁽¹⁾	—	11,649	—	11,649	—	23,817	—	23,817
Unrealized foreign exchange (gain) loss	(11,666)	1,659	865	(9,142)	36,167	16,805	(27,729)	25,243
Adjusted EBT⁽⁴⁾	101,639	46,629	(38,957)	109,311	104,895	49,062	(47,976)	105,981

(1) Included in operating expenses.

(2) Expected credit loss provision related to aircraft repossessions.

(3) Air Canada agreed to compensate Jazz for the one-time impact of the wage increase on the Jazz defined benefit pension plan of \$29.9 million which will be repaid in 60 equal monthly payments beginning on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged directly to other comprehensive income.

(4) These are non-GAAP financial measures, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. 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 \$70.0 million and year-to-date operating income of \$149.1 million, an increase of \$29.9 million and \$32.2 million, respectively compared to the same periods last year primarily due to the Defined Benefit Pension Revenue of \$29.9 million.

The year-to-date results were also impacted by:

- an increase in other revenue of \$7.0 million primarily due to an increase in Voyageur's parts sales and MRO activity offset by a decrease in contract flying; and
- an increase in aircraft leasing revenue under the CPA of \$3.2 million primarily due to a higher US dollar exchange rate offset by a change in lease rates on certain aircraft; partially offset by
- a contracted decrease in Fixed Margin of \$2.3 million;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of \$2.2 million; and
- an increase in general administrative expenses attributable to increased operations.

Non-Operating Expenses

Foreign exchange was a loss for the three months ended September 30, 2023 and a gain for the nine months ended September 30, 2023 compared to foreign exchange losses for both periods last year. These changes are primarily unrealized and are related to US dollar loans and also includes foreign exchange on working capital. The September 30, 2023 closing exchange rate was 1.3520 compared to 1.3544 at December 31, 2022. The September 30, 2022 closing exchange rate was 1.3707 compared to 1.2678 at December 31, 2021.

Adjusted EBITDA

Adjusted EBITDA increased \$0.3 million for the three months ended September 30, 2023 compared to the same period last year.

Adjusted EBITDA increased \$6.7 million for the nine months ended September 30, 2023 compared to the same period last year primarily due to changes described above for operating income.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of \$866.6 million
- Approximately US \$500.2 million in future contracted lease revenue^{1,2}
- Current weighted average fleet age of 7.3 years³
- Current weighted average remaining lease term of 6.1 years³
- 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 loss of \$3.4 million for the three months ended September 30, 2023, a decrease in operating income of \$37.5 million compared to the same period last year.

The quarter-over-quarter results were impacted by:

- aircraft impairment provisions of \$25.7 million;
- a decrease in lease revenue of \$8.6 million due to the 2022 sale of wholly-owned aircraft which generated lease revenue of \$8.6 million and recovered claims in the Virgin Australia bankruptcy recorded in the amount of \$7.9 million; partially offset by increased lease revenue from re-leased aircraft, the recognition of EOL compensation of \$4.1 million and a higher US dollar exchange rate;
- an increase in depreciation expense of \$3.3 million primarily related to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimate on certain aircraft;
- a decrease in net gain on sale of assets of \$2.7 million; and
- an increase in general administrative expenses; partially offset by
- a decrease in lease repossession costs of \$5.1 million.

The RAL segment reported an operating income of \$50.7 million for the nine months ended September 30, 2023, an increase of \$21.5 million compared to the same period last year.

The year-to-date results were impacted by:

- an increase in lease revenue of \$33.5 million primarily related to four additional months of lease revenue versus the same period last year for Falko, increased lease revenue from re-leased aircraft, the release of EOL compensation of \$4.1 million and a higher US dollar exchange rate; partially offset by lower lease revenue of \$15.0 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of \$10.9 million;
- a decrease in restructuring expected credit loss provisions and lease repossession costs of \$22.6 million;
- an increase of \$5.9 million in asset management fees related to four additional months of revenue versus the same period last year; and
- a decrease in net gain on sale of assets of \$2.7 million; partially offset by
- an increase in depreciation expense of \$17.3 million primarily related to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimate on certain aircraft and four additional months of depreciation for Falko;
- an increase of \$5.2 million in aircraft impairment provisions; and
- an increase in expenses primarily related to four additional months of expenses versus the same period last year for Falko.

Non-Operating Expenses

Net interest expense increased for the three and nine months ended September 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.



Loss on fair value of investments increased by \$0.3 million for the three months ended September 30, 2023 compared to the same period last year primarily related to a change in the fair value of Chorus' 3.85% investment in Fund II.

Gain on fair value of investments increased by \$3.0 million for the nine months ended September 30, 2023 compared to the same period last year primarily related to a change in the fair value of Chorus' 3.85% investment in Fund II and third party investments.

Adjusted EBT

Adjusted EBT decreased by \$17.6 million for the three months ended September 30, 2023 compared to the same period last year primarily due to a decrease in lease revenue, increased depreciation expense and increased general administrative expenses.

Adjusted EBT decreased by \$2.4 million for the nine months ended September 30, 2023 compared to the same period last year primarily due to increased depreciation expense and increased general administrative expenses; partially offset by four additional months of Falko's earnings compared to the same period last year.

Portfolio

Fleet (as at September 30, 2023)

- Fleet of 124 wholly or majority-owned aircraft
- Approximately US \$728.1 million in future contracted lease revenue¹
- RAL collected approximately 88.4% of lease revenue billed in the third quarter of 2023
- Current net book value of approximately US \$1.5 billion
- Current weighted average fleet age of 8.8 years²
- Current weighted average remaining lease term of 4.2 years²
- The RAL segment has limited net exposure to changes in interest rates because 91.0% 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.

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 September 30, 2023 and December 31, 2022.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	September 30, 2023 \$	December 31 2022 \$	Change \$
Equity			
Capital	782,635	788,698	(6,063)
Contributed surplus	1,034,158	1,037,801	(3,643)
Deficit	(671,531)	(702,412)	30,881
Exchange differences on foreign operations	27,181	28,437	(1,256)
Equity component of convertible debentures	2,683	2,683	—
Warrants	24,366	24,366	—
	1,199,492	1,179,573	19,919
Long-term debt	1,781,848	2,018,967	(237,119)
Lease liabilities	10,530	11,309	(779)
Total capital	2,991,870	3,209,849	(217,979)

As at November 6, 2023 and December 31, 2022, the issued and outstanding shares of Chorus were as follows:

<i>(unaudited)</i>	November 6, 2023	December 31, 2022
Total issued and outstanding Common Shares	193,873,204	201,332,016
Common Shares potentially issuable Stock-based compensation plans	6,810,030	5,643,765
Total outstanding and potentially dilutive Common Shares	200,683,234	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.sedarplus.ca. The Corporation has purchased and cancelled 9,177,784 Common Shares between the start of the NCIB on November 14, 2022 and September 30, 2023. Security holders may obtain a copy of the Notice, without charge, by contacting the Corporation.

The NCIB expires on November 13, 2023; however, the Corporation announced the renewal of the NCIB concurrent with the publication of this MD&A. Please refer to the Corporation's news release dated November 8, 2023 for information regarding the renewal of the NCIB.

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.sedarplus.ca.

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.sedarplus.ca 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.sedarplus.ca.

Long-term debt

Long-term debt consists of the following:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	September 30, 2023	December 31, 2022
	\$	\$
Secured long-term debt and credit facilities⁽¹⁾		
Amortizing term loans		
Secured by aircraft	1,137,732	1,293,761
Secured by engines	3,493	4,507
Warehouse credit facility	70,613	85,847
Nova Scotia Jobs Fund loan - secured by office building	4,000	5,000
Asset backed securitization	265,846	309,665
Operating Credit Facility	25,000	—
	1,506,684	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	50,700	101,580
	1,801,134	2,044,110
Less:		
Deferred financing fees	(10,351)	(12,816)
Accretion discount on amortizing term loans and asset backed securitization	(7,341)	(10,348)
Accretion discount on convertible debentures	(1,594)	(1,979)
	1,781,848	2,018,967
Less: Current portion ⁽²⁾	304,043	340,308
	1,477,805	1,678,659

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at 1.3520 which was the exchange rate in effect at closing on September 30, 2023 (December 31, 2022 - 1.3544).

(2) The current portion of long-term debt in the above table includes deferred financing fees of \$1.3 million and interest accretion of \$4.0 million, respectively for the period ended September 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.sedarplus.ca.



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 4.34%, maturing between October 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 4.22%, 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 8.69%, 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 5.19%.

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 September 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 \$8.9 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 Canadian Dollar Offered Rate ("**CDOR**") plus 2.50% - 3.50%, and for US dollar advances at Base Rate plus 1.50% - 2.50% or SOFR plus a credit spread adjustment 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.sedarplus.ca.

Bi-Lateral Credit Facilities

On November 1, 2023, Chorus entered into two credit facilities with The Bank of Nova Scotia to ensure it continues to have adequate liquidity and financial flexibility.

The first facility provides Chorus with an unsecured revolving loan facility in an amount up to \$30.0 million and matures on November 1, 2024. Borrowings under this facility are unsecured and bear interest for Canadian dollar advances at Canadian Prime plus 3.50% or Canadian Overnight Repo Rate Average ("**CORRA**") plus a credit spread adjustment plus 4.50%, and for US dollar advances at Base Rate plus 3.50% or SOFR plus a credit spread adjustment plus 4.50%. This facility may be used for general corporate purposes but can only be drawn after Chorus has fully drawn under the Operating Credit Facility. Indebtedness under this facility ranks at least pari passu in right of payment with all other senior, unsecured and unsubordinated indebtedness of Chorus. The loan agreement contains customary representations, warranties, covenants and events of default, and is cross-defaulted to any event of default under the Operating Credit Facility.

The second facility provides Chorus with a revolving loan in an amount up to the lesser of (a) 50% of the current market value of certain unencumbered aircraft pledged as security for the loan, and (b) \$50.0 million. The facility matures on December 31, 2025. Borrowings bear interest for Canadian dollar advances at Canadian Prime plus 2.50% or CORRA plus a credit spread adjustment plus 3.50%, and for US dollar advances at Base Rate plus 2.50% or SOFR plus a credit spread adjustment plus 3.50%, and are secured by the aircraft pledged as security together with the related leases and insurance proceeds. The loan agreement contains customary representations, warranties, covenants and events of default, and is cross-defaulted to any event of default under the Operating Credit Facility. The use of proceeds under this facility is currently limited to the repayment of the Series A Debentures.

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 SOFR plus a credit spread adjustment plus 3.25% until January 2024 and SOFR plus a credit spread adjustment 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 September 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. 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 September 30, 2023, excluding unamortized deferred financing fees and interest accretion, are as follows:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$
No later than one year	309,311
Later than one year and no later than five years	1,249,668
Later than five years	242,155
	1,801,134

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 September 30, 2023, Chorus' largest lender held approximately 48% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes approximately 6% under the Unsecured Credit Facility, FIL's subsidiaries owe approximately 43% under aircraft loans, and the Jazz Group owes approximately 51% 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 45% 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 September 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 September 30, 2023, 91.9% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 8.1% 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 September 30, 2023, Chorus had eight (December 31, 2022 - ten) interest rate swap agreements with notional amounts totaling \$132.3 million (December 31, 2022 - \$169.2 million). The fair value of interest rate swaps was as follows:

	As at	
	September 30, 2023	December 31, 2022
	\$	\$
<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>		
Other long-term assets		
Interest rate swaps	3,319	6,065



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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(unaudited)</i>				
<i>(in thousands of Canadian dollars)</i>	\$	\$	\$	\$
Other comprehensive (loss) income				
Change in fair value of financial assets and liabilities, net of tax recovery (expense) of \$46 and \$205 (2022 - (\$284) and (\$1,118))	(323)	1,990	(3,283)	7,826
Income statement				
(Loss) gain on ineffective interest rate swap ⁽¹⁾	(501)	1,012	1,186	2,052

(1) For the nine months ended September 30, 2023 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 September 30, 2023, Chorus had six loans which totaled \$80.5 million and four derivative agreements which referenced notional amounts totaling \$17.3 million that will be impacted by the transition from synthetic USD LIBOR to alternative reference rates. In addition, the CDOR will cease to be published on June 28, 2024, and the CORRA will be the alternative risk-free rate used as replacement benchmark. 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 \$58.1 million and US denominated financial liabilities was \$435.5 million at September 30, 2023. A 1¢ change in the US exchange rate would result in a change in the



unrealized gain or loss of approximately \$3.8 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	\$	\$	\$	\$
Income statement				
Loss on Total Return Swap	4,861	5,179	6,508	5,454

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 September 30, 2023, Chorus' liquidity was \$210.6 million including cash of \$94.4 million and \$116.2 million of available credit under its Operating Credit Facility. Liquidity increased from the second quarter of 2023 by \$65.6 million primarily due to a prepayment in September for October's Controllable Cost Revenue of \$47.8 million and strong cash flows from operations.

During the quarter, Chorus generated cash flow from operations of \$164.3 million. Other key changes during the quarter which decreased cash were as follows:

- Scheduled debt repayment of \$93.6 million;
- Operating Credit Facility repayment of \$65.6 million;
- Capital expenditures of \$11.6 million; and
- Payment of Preferred Share dividends of \$8.6 million; partially offset by
- An increase in security deposits and maintenance reserves of \$20.0 million.

At September 30, 2023, the Controllable Cost Guardrail receivable was \$36.9 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 September 30, 2023 balance sheet was \$169.3 million (December 31, 2022 - \$228.9 million). The current portion of contracted aircraft operating lease receivables as at September 30, 2023 is estimated to be approximately \$360.5 million converted to CAD at the September 30, 2023 rate of 1.3520. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately \$191.3 million. (Refer to Section 25 - Caution Regarding Forward-Looking Information.)

Leverage

Chorus' Leverage Ratio improved to 3.6 at September 30, 2023 from 4.4 at December 31, 2022 as a result of Chorus' increase in the trailing 12-months Adjusted EBITDA of \$30.4 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 nine months ended September 30, 2023 and September 30, 2022.

	Three months ended September 30,		Nine months ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>				
Cash provided by operating activities	164,305	92,952	278,532	197,879
Cash (used in) provided by financing activities	(174,552)	(231,370)	(292,648)	179,041
Cash provided by (used in) investing activities	10,123	202,310	33,621	(305,920)
Cash flow from operating, financing and investing activities	(124)	63,892	19,505	71,000
Effect of foreign exchange rate changes on cash	3,771	8,234	(396)	12,894
Net change in cash during the periods	3,647	72,126	19,109	83,894
Cash and restricted cash – Beginning of periods	183,373	190,214	167,911	178,446
Cash and restricted cash – End of periods	187,020	262,340	187,020	262,340

Cash provided by operating activities

Chorus had cash inflows from operating activities of \$164.3 million for the three months ended September 30, 2023, compared to \$93.0 million for the three months ended September 30, 2022. The increase was primarily due to a prepayment in September for October's Controllable Cost Revenue and an increase in operating income.

Chorus had cash inflows from operating activities of \$278.5 million for the nine months ended September 30, 2023, compared to \$197.9 million for the nine months ended September 30, 2022. The increase was primarily due to a prepayment in September for October's Controllable Cost Revenue and an increase in operating income partially offset by a decrease in current income tax payable.



Cash (used in) provided by financing activities

Cash used in financing activities for the three months ended September 30, 2023 was \$174.6 million, comprised primarily of payments on long-term borrowings of \$93.6 million, net payments on the Operating Credit Facility of \$65.6 million, payment of dividends on the Preferred Shares of \$8.6 million, distributions to non-controlling interests of \$3.0 million and repurchase of Common Shares under the NCIB of \$2.4 million.

Cash used in financing activities for the three months ended September 30, 2022 was \$231.4 million, comprised primarily of payments on long-term borrowings of \$193.5 million (which included scheduled payments of \$82.5 million and \$111.0 million of repayment on loans related to the sale of eight CRJ900s), a \$26.2 million discretionary repayment on the Operating Credit Facility, payment of dividends on the Preferred Shares of \$5.6 million and distributions to non-controlling interests of \$4.8 million.

Cash used in financing activities for the nine months ended September 30, 2023 was \$292.6 million, comprised primarily of payments on long-term borrowings of \$259.8 million, payment of dividends on the Preferred Shares of \$26.2 million, repurchase of Common Shares under the NCIB of \$24.5 million and distributions to non-controlling interests of \$3.0 million; partially offset by a net draw on the Operating Credit Facility of \$25.0 million.

Cash provided by financing activities for the nine months ended September 30, 2022 was \$179.0 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 a net draw on the Operating Credit Facility of \$24.2 million; offset by payments on long-term borrowings of \$296.1 million (which included scheduled payments of \$185.1 million and \$111.0 million of repayment on loans related to the sale of eight CRJ900s), payment of dividends on the Preferred Shares of \$5.6 million and distributions to non-controlling interests of \$4.8 million.

Cash provided by (used in) investing activities

Cash provided by investing activities for the three months ended September 30, 2023 was \$10.1 million, which includes increased security deposits and maintenance reserves of \$20.0 million related to leased aircraft and proceeds on return of investments of \$0.7 million; offset by capital expenditures of \$11.6 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures.

Cash provided by investing activities for the three months ended September 30, 2022 was \$202.3 million, which included proceeds on disposal of property and equipment of \$183.7 million primarily related to the sale of eight CRJ900s and increased security deposits and maintenance reserves of \$19.9 million related to leased aircraft offset by capital expenditures of \$5.1 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures.

Cash provided by investing activities for the nine months ended September 30, 2023 was \$33.6 million, which includes increased security deposits and maintenance reserves of \$56.2 million related to leased aircraft and proceeds on return of investments of \$5.9 million; offset by capital expenditures of \$30.0 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 nine months ended September 30, 2022 was \$305.9 million, which included the Falko Acquisition, net of cash acquired of \$464.8 million and capital expenditures of \$36.9 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures. This was partially offset by proceeds on disposal of property and equipment of \$183.9 million primarily related to the sale of eight CRJ900s and increased security deposits and maintenance reserves of \$6.6 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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Capital expenditures, excluding aircraft acquisitions	3,994	2,312	1,682	10,911	6,148	4,763
Capitalized major maintenance overhauls	2,386	2,754	(368)	9,696	12,957	(3,261)
Aircraft acquisitions and improvements ⁽¹⁾	5,188	3	5,185	9,365	17,783	(8,418)
Total capital expenditures	11,568	5,069	6,499	29,972	36,888	(6,916)

(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 nine months ended September 30, 2023, the Corporation declared \$8.8 million and \$26.5 million, respectively in Preferred Share dividends (\$8.6 million and \$14.0 million, respectively, for the three and nine months ended September 30, 2022).

For the three and nine months ended September 30, 2023, the Corporation paid \$8.6 million and \$26.2 million, respectively in Preferred Share dividends (\$5.6 million for the three and nine months ended September 30, 2022).

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 defined benefit pension 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:

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	As at September 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⁾	36,731	43,778	—	46,871	46,954	—
Investments						
Third party ⁽³⁾	456	456	—	459	459	—
Fund investment ⁽³⁾	23,721	23,721	—	25,549	25,549	—
Other long-term assets						
Defined benefit pension receivable ^(2,4)	25,774	25,774	—	—	—	—
Interest rate swaps ⁽⁵⁾	3,319	3,319	—	6,065	6,065	—
Long-term debt						
Amortizing term loans ⁽⁶⁾	1,115,329	1,215,852	4,997	1,290,955	1,389,128	6,017
Asset backed securitization ⁽⁶⁾	236,901	258,491	—	292,972	299,304	—
Series A Debentures ⁽⁷⁾	81,938	86,250	1,083	81,722	86,250	1,690
Series B Debentures ⁽⁷⁾	66,765	70,906	1,674	67,715	70,521	2,066
Series C Debentures ⁽⁷⁾	69,692	85,000	2,597	71,825	85,000	3,043
Operating Credit Facility ⁽⁸⁾	25,000	25,000	—	—	—	—
Unsecured Credit Facility ⁽⁸⁾	50,299	50,700	—	99,657	101,580	—
Other long-term liabilities						
Total Return Swap ⁽⁵⁾	5,994	5,994	—	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 by discounting annual cash flows based on limited available market information and is classified as Level 3.

(4) Current portion of defined pension benefit receivable of \$4.1 million is included in accounts receivable.

(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 September 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' third 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 third 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 September 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 standardized meanings, may not be comparable to similar measures presented by other entities, and should not be considered a substitute for or superior to GAAP results.

Adjusted net income, Adjusted EBT and Adjusted EBITDA

Chorus revised its definition of Adjusted net income in the third quarter of 2023 to include the Defined Benefit Pension Revenue related to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots to facilitate comparability of its results.



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, Defined Benefit Pension Revenue, 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).

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the third quarter of 2023 to include the Defined Benefit Pension Revenue related to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots to facilitate comparability of its results.

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, Defined Benefit Pension Revenue, 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, Defined Benefit Pension Revenue 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, Defined Benefit Pension Revenue 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, Defined Benefit Pension Revenue 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 September 30,			Nine months ended September 30,		
	2023 \$	2022 \$	Change \$	2023 \$	2022 \$	Change \$
Net income	17,148	23,561	(6,413)	69,485	6,065	63,420
<i>Add (Deduct) items to get to Adjusted net income</i>						
Impairment provisions ⁽¹⁾	25,674	—	25,674	25,674	20,499	5,175
Restructuring expected credit loss provision ⁽¹⁾⁽²⁾	—	—	—	—	10,353	(10,353)
Employee separation program ⁽¹⁾	(803)	442	(1,245)	804	2,093	(1,289)
Strategic advisory fees ⁽¹⁾	—	102	(102)	—	8,524	(8,524)
Defined Benefit Pension Revenue ⁽³⁾	(29,916)	—	(29,916)	(29,916)	—	(29,916)
Lease repossession costs ⁽¹⁾	3,357	8,443	(5,086)	11,649	23,817	(12,168)
Unrealized foreign exchange loss (gain)	1,315	10,341	(9,026)	(9,142)	25,243	(34,385)
Tax expense (recovery) on adjusted items ⁽²⁾	4,665	(1,203)	5,868	9,286	(9,578)	18,864
	4,292	18,125	(13,833)	8,355	80,951	(72,596)
Adjusted net income	21,440	41,686	(20,246)	77,840	87,016	(9,176)
<i>Add (Deduct) items to get to Adjusted EBT</i>						
Income tax expense	15,702	5,557	10,145	40,757	9,387	31,370
Tax (recovery) expense on adjusted items ⁽²⁾	(4,665)	1,203	(5,868)	(9,286)	9,578	(18,864)
Adjusted EBT	32,477	48,446	(15,969)	109,311	105,981	3,330
<i>Add (Deduct) items to get to Adjusted EBITDA</i>						
Net interest expense	25,081	26,875	(1,794)	74,191	72,034	2,157
Depreciation and amortization excluding impairment	53,707	48,831	4,876	152,821	130,557	22,264
Foreign exchange loss (gain)	1,864	(575)	2,439	5,607	2,515	3,092
Gain on disposal of property and equipment	(3)	—	(3)	(13)	(156)	143
(Gain) loss on fair value of investments	—	(224)	224	13	573	(560)
	80,649	74,907	5,742	232,619	205,523	27,096
Adjusted EBITDA	113,126	123,353	(10,227)	341,930	311,504	30,426

(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.

(3) Air Canada agreed to compensate Jazz for the one-time impact of the wage increase on the Jazz defined benefit pension plan of \$29.9 million which will be repaid in 60 equal monthly payments beginning on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged directly to other comprehensive income.



Adjusted earnings available to Common Shareholders per Common Share

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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars, except per Share amounts)</i>	Three months ended September 30,			Nine months ended September 30,		
	2023 \$	2022 \$	Change \$	2023 \$	2022 \$	Change \$
Adjusted net income	21,440	41,686	(20,246)	77,840	87,016	(9,176)
<i>Add (Deduct) items to get to Adjusted earnings available to Common Shareholders</i>						
Net income attributable to non- controlling interest	(553)	(1,938)	1,385	(2,310)	(2,377)	67
Preferred Share dividends declared	(8,799)	(8,563)	(236)	(26,486)	(13,989)	(12,497)
Adjusted earnings available to Common Shareholders	12,088	31,185	(19,097)	49,044	70,650	(21,606)
Adjusted earnings available to Common Shareholders per Common Share - basic	0.06	0.15	(0.09)	0.25	0.37	(0.12)

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.

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	September 30, 2023 \$	December 31, 2022 \$	Change \$
Long-term debt (including current portion)	1,792,378	2,030,276	(237,898)
Less:			
Cash	(94,445)	(100,027)	5,582
Net debt	1,697,933	1,930,249	(232,316)
Adjusted EBITDA	471,472	441,046	30,426
Leverage Ratio	3.6	4.4	(0.8)

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 3.6 as at September 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 September 30, 2023, net debt decreased by \$232.3 million or 12.0% from December 31, 2022. The decrease was primarily related to payments on long-term borrowings of \$259.8 million partially offset by a \$25.0 million draw on the Operating Credit Facility.
- Adjusted EBITDA increased for the trailing 12-months ended September 30, 2023 compared to the trailing 12-months ended December 2022 primarily due to:
 - an increase related to 12 months of Falko's earnings contribution during the trailing 12-months ended September 30, 2023 versus eight months during the trailing 12-months ended December 31, 2022; and
 - increased lease revenue from re-leased aircraft, the release of EOL compensation of \$4.1 million and a higher US dollar exchange rate; partially offset by lower lease revenue of \$15.0 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of \$10.9 million; and
 - an increase in other revenue related to increased parts sales and MRO activity offset by a decrease in 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 September 30,			Nine months ended September 30,		
	2023	2022	Change	2023	2022	Change
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Cash provided by operating activities	164,305	92,952	71,353	278,532	197,879	80,653
Add (Deduct)						
Net changes in non-cash balances related to operations	(44,264)	(10,901)	(33,363)	(857)	(19,001)	18,144
Capital expenditures, excluding aircraft acquisitions	(3,994)	(2,312)	(1,682)	(10,911)	(6,148)	(4,763)
Capitalized major maintenance overhauls	(2,386)	(2,754)	368	(9,696)	(12,957)	3,261
	113,661	76,985	36,676	257,068	159,773	97,295
Net proceeds on asset sales	—	72,882	(72,882)	—	72,882	(72,882)
Free Cash Flow	113,661	149,867	(36,206)	257,068	232,655	24,413

Free Cash Flow was impacted by the 2022 asset sales offset by increased operating income for the nine months ended September 30, 2023 due to:

- the Defined Benefit Pension Revenue of \$29.9 million;
- a decrease in restructuring expected credit loss provisions and lease repossession costs of \$22.6 million;
- an increase in revenue primarily due to four additional months of lease revenue versus the same period last year for Falko, increased lease revenue from re-leased aircraft, the release of EOL compensation of \$4.1 million and a higher US dollar exchange rate; and
- increased other revenue due to an increase in parts sales and MRO activity offset by a decrease in contract flying; partially offset by
- reduction in lease revenue related to lower lease revenue of \$15.0 million related to the 2022 sale of wholly-owned aircraft and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of \$10.9 million.



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.

	Trailing 12-months ended		
	September 30, 2023 \$	December 31, 2022 \$	Change \$
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>			
Adjusted net income	109,666	118,842	(9,176)
<i>Add (Deduct) items to get to Adjusted earnings available to Common Shareholders</i>			
Net income attributable to non-controlling interest	(2,960)	(3,027)	67
Preferred Share dividends declared	(35,399)	(22,902)	(12,497)
Adjusted net income available to Common Shareholders	71,307	92,913	(21,606)

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	1,278,779	979,446	299,333
<i>Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash</i>			
Average Non-controlling interest	(88,207)	(44,425)	(43,782)
Average Preferred Shares	(375,217)	(187,608)	(187,609)
Average Cash	(133,012)	(111,800)	(21,212)
	682,343	635,613	46,730
Adjusted return on equity	10.5%	14.6%	(4.1)%

During the trailing 12-months ended September 30, 2023, the Adjusted return on equity decreased from the trailing 12-months ended December 31, 2022 to 10.5% 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 September 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.

19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

<i>(unaudited)</i>	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Chorus								
Total revenue (\$000)	447,596	396,775	415,252	439,755	421,326	392,343	342,380	346,516
Net income (loss) (\$000)	17,148	20,318	32,019	45,852	23,561	(40,403)	22,907	10,159
Adjusted net income ⁽¹⁾ (\$000)	21,440	25,576	30,824	31,826	41,686	27,587	17,743	21,456
Adjusted earnings available to Common Shareholders ⁽¹⁾ (\$000)	12,088	15,493	21,463	22,263	31,185	21,722	17,743	21,456
Adjusted EBITDA ⁽¹⁾ (\$000)	113,126	110,748	118,056	129,542	123,353	104,871	83,280	90,463
Earnings (loss) available to Common Shareholders per Common Share, basic (\$)	0.04	0.05	0.11	0.18	0.06	(0.24)	0.13	0.06
Earnings (loss) available to Common Shareholders per Common Share, diluted (\$)	0.04	0.05	0.11	0.18	0.06	(0.24)	0.13	0.06
Adjusted earnings available to Common Shareholders, ⁽¹⁾ per Common Share - basic (\$)	0.06	0.08	0.11	0.11	0.15	0.11	0.10	0.12
FTE employees (end of period)	4,786	4,811	4,804	4,829	4,928	4,783	4,583	4,426
Number of aircraft (end of period)	364	361	360	357	366	381	233	234
Average foreign exchange rates (USD-CAD)	1.3407	1.3434	1.3518	1.3582	1.3048	1.2758	1.2666	1.2602
Jazz								
Departures	39,936	39,807	36,775	40,744	46,070	41,832	30,978	39,014
Block Hours	62,941	62,724	61,661	68,086	76,412	68,837	50,839	64,403
Billable Block Hours	65,032	63,788	65,149	71,727	81,224	72,816	58,444	66,400

- (1) These are non-GAAP financial measures, non-GAAP ratios or supplementary financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section 18 – Non-GAAP Financial Measures.

20 REVENUE

<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	Three months ended September 30,				Nine months ended September 30,			
	2023 \$	2022 \$	Change \$	Change %	2023 \$	2022 \$	Change \$	Change %
Controllable Cost Revenue	217,797	202,329	15,468	7.6	609,013	590,141	18,872	3.2
Pass-Through Revenue	53,022	57,940	(4,918)	(8.5)	165,532	154,547	10,985	7.1
	270,819	260,269	10,550	4.1	774,545	744,688	29,857	4.0
Fixed Margin	15,820	16,580	(760)	(4.6)	47,460	49,740	(2,280)	(4.6)
Incentive Revenue	(22)	323	(345)	(106.8)	940	1,479	(539)	(36.4)
Aircraft leasing under the CPA	36,653	37,338	(685)	(1.8)	113,317	110,124	3,193	2.9
Defined Benefit Pension Revenue ⁽¹⁾	29,916	—	29,916	100.0	29,916	—	29,916	100.0
Other ⁽²⁾	24,525	25,556	(1,031)	(4.0)	78,258	71,308	6,950	9.7
	106,892	79,797	27,095	34.0	269,891	232,651	37,240	16.0
RAS Revenue	377,711	340,066	37,645	11.1	1,044,436	977,339	67,097	6.9
Lease revenue	67,523	76,157	(8,634)	(11.3)	202,920	169,385	33,535	19.8
Asset management fees	2,175	2,160	15	0.7	11,720	5,825	5,895	101.2
Net gain on sale of assets	—	2,747	(2,747)	100.0	—	2,747	(2,747)	100.0
RAL Revenue	69,698	81,064	(11,366)	(14.0)	214,640	177,957	36,683	20.6
Other ⁽³⁾	187	196	(9)	(4.6)	547	753	(206)	(27.4)
Corporate Revenue	187	196	(9)	(4.6)	547	753	(206)	(27.4)
Total Revenue	447,596	421,326	26,270	6.2	1,259,623	1,156,049	103,574	9.0

- (1) Air Canada agreed to compensate Jazz for the one-time impact of the wage increase on the Jazz defined benefit pension plan of \$29.9 million which will be repaid in 60 equal monthly payments beginning on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged directly to other comprehensive income.
- (2) Other primarily relates to Voyageur and includes charter, contract flying, MRO and other.
- (3) Corporate leases space in its head-office building to third parties.

21 RAL RECEIVABLES

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

	As at September 30, 2023	As at December 31, 2022
<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Total \$	Total \$
Total gross receivables	150,198	141,862
Allowance for expected credit loss	(29,009)	(27,009)
Total net receivables	121,189	114,853
Total gross receivables - US dollars	111,094	104,741
Total net receivables - US dollars	89,637	84,799

22 CONSOLIDATED STATEMENTS OF INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(unaudited)</i> <i>(expressed in thousands of Canadian dollars)</i>	\$	\$	\$	\$
Operating revenue	447,596	421,326	1,259,623	1,156,049
Operating expenses				
Salaries, wages and benefits	127,902	130,743	388,991	377,202
Depreciation, amortization and impairment	79,381	48,831	178,495	151,056
Aircraft maintenance materials, supplies and services	75,603	65,627	220,168	204,939
Airport and navigation fees	38,248	48,294	110,039	122,385
Terminal handling services	4,897	3,432	16,746	10,764
Other	60,408	58,864	166,740	174,042
	386,439	355,791	1,081,179	1,040,388
Operating income	61,157	65,535	178,444	115,661
Non-operating (expenses) income				
Interest revenue	1,457	1,657	4,173	2,742
Interest expense	(26,538)	(28,532)	(78,364)	(74,776)
Gain on disposal of property and equipment	3	—	13	156
(Loss) gain on fair value of investments	(50)	224	2,441	(573)
Foreign exchange (loss) gain	(3,179)	(9,766)	3,535	(27,758)
	(28,307)	(36,417)	(68,202)	(100,209)
Income before income taxes	32,850	29,118	110,242	15,452
Income tax (expense) recovery				
Current income tax	(5,821)	(6,323)	(14,617)	(15,570)
Deferred income tax	(9,881)	766	(26,140)	6,183
	(15,702)	(5,557)	(40,757)	(9,387)
Net income	17,148	23,561	69,485	6,065
Net income attributable to non-controlling interest	553	1,938	2,310	2,377
Net income attributable to Shareholders	16,595	21,623	67,175	3,688
Preferred Share dividends declared	(8,799)	(8,563)	(26,486)	(13,989)
Earnings (loss) attributable to Common Shareholders	7,796	13,060	40,689	(10,301)

23 ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form, is available on SEDAR+ at www.sedarplus.ca 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 negative versions thereof. Such information and statements may involve but are not limited to comments with respect to assumptions, 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), Jazz's efforts to increase flying capacity under the CPA, and expectations with regard to Share purchases under the NCIB. 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 or assets; transactions (including 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.sedarplus.ca 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.