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FOURTH QUARTER AND YEAR-END 2023

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

Chorus Aviation Inc.

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INTRODUCTION

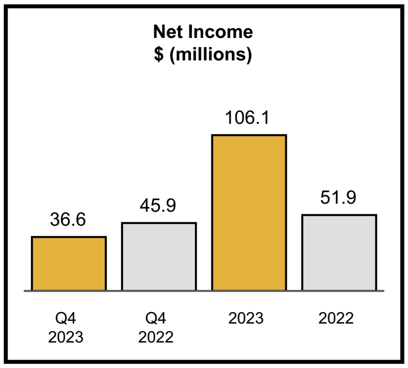
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries, including partnerships in which the Corporation holds a majority of the equity interests. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 25 - Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

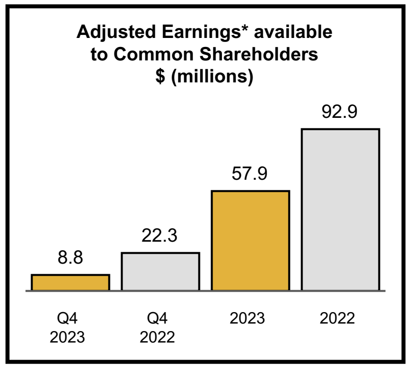
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying audited consolidated financial statements of Chorus and the notes therein for the years ended December 31, 2023 and 2022 and Chorus' Annual Information Form dated February 22, 2024. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of February 22, 2024.

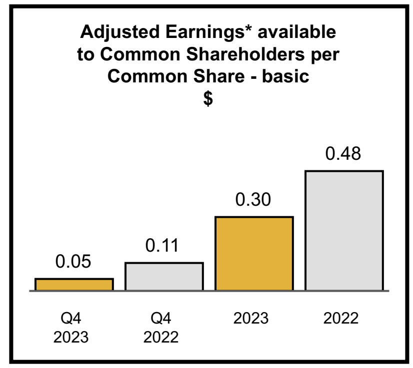
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

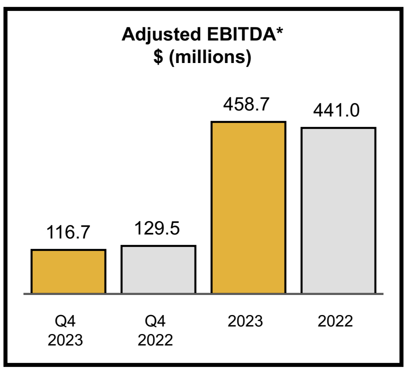
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

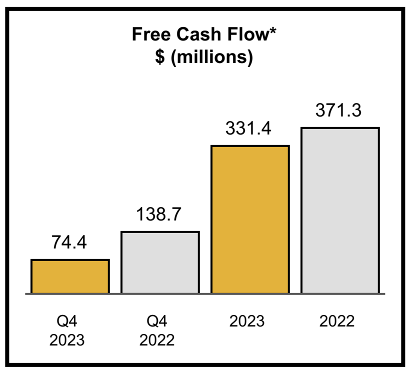
1 OVERVIEW

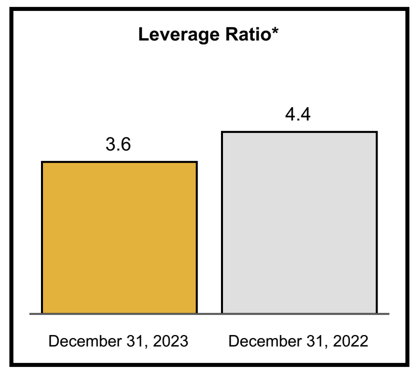












* These are non-GAAP financial measures or non-GAAP ratios that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute 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.

Q4 2023 Financial Highlights:

- Net income of $36.6 million, compared to $45.9 million for Q4 2022.
- Adjusted earnings available to Common Shareholders of $8.8 million, compared to $22.3 million for Q4 2022.
- Adjusted earnings available to Common Shareholders of $0.05 per Common Share, basic, compared to $0.11 for Q4 2022.
- Adjusted EBITDA of $116.7 million, compared to $129.5 million for Q4 2022.
- Free Cash Flow of $74.4 million, compared to $138.7 million for Q4 2022.
- Leverage Ratio improved to 3.6 at December 31, 2023 from 4.4 at December 31, 2022.

Annual Financial Highlights:

- Net income of $106.1 million, compared to $51.9 million for 2022.
- Adjusted earnings available to Common Shareholders of $57.9 million, compared to $92.9 million for 2022.

- Adjusted earnings available to Common Shareholders of $0.30 per Common Share, basic, compared to $0.48 for 2022.
- Adjusted EBITDA of $458.7 million, compared to $441.0 million for 2022.
- Free Cash Flow of $331.4 million, compared to $371.3 million for 2022.

Highlights:

- Generated strong Free Cash Flow of $331.4 million for the year ended December 31, 2023 primarily derived from operating cash flows.
- Deleveraged the balance sheet improving the Leverage Ratio from 4.4 at December 31, 2022 to 3.6 at December 31, 2023 primarily through long-term debt repayments of $341.2 million since December 31, 2022.
- Reversed expected credit loss ("**ECL**") provisions of $8.6 million in RAL in the fourth quarter due to improved credit ratings for certain lessees (refer to Section 4 - Outlook - RAL Receivables).
- Executed an agreement to sell two A220-300s in December 2023, which closed on January 23, 2024, for net proceeds of US $21.9 million.
- Recognized a gain on the fair value of Chorus' investment in Fund II of $3.6 million for the year.
- Renewed the normal course issuer bid ("**NCIB**") for Common Shares. As at December 31, 2023, Chorus had cancelled 9,623,451 Common Shares under both NCIBs (refer to Section 8 - Capital Structure).
- Entered into a modified collective agreement between Jazz and its pilots to address the changing wage environment (refer to Section 15 - Pension Plans).
- Launched Cygnet Aviation Academy, a first of its kind pilot training academy in Canada providing leading edge flight training with direct access to career opportunities.
- Expanded Voyageur's air ambulance services in New Brunswick.

Fourth Quarter Summary

In the fourth quarter of 2023, Chorus reported Adjusted EBITDA of $116.7 million, a decrease of $12.8 million compared to the fourth quarter of 2022.

The RAL segment's Adjusted EBITDA was $62.1 million, a decrease of $5.4 million compared to the fourth quarter of 2022 primarily due to:

- a decrease in the net gain on sale of assets of $8.2 million related to the sale of wholly-owned aircraft in 2022;
- a decrease in lease revenue of $7.0 million due to the sale of wholly-owned aircraft in 2022 and lower market lease rates on re-leased aircraft; and
- increased general administrative expense; partially offset by
- a decrease in ECL provisions of $11.9 million related to improved credit ratings on certain lessees.

The RAS segment's Adjusted EBITDA was $61.3 million, a decrease of $6.2 million compared to the fourth quarter of 2022 primarily due to:

- a decrease in aircraft leasing revenue under the CPA of $3.3 million, primarily due to a change in lease rates on certain aircraft offset by a higher US dollar exchange rate;
- a decrease in other revenue of $2.0 million primarily due to Voyageur's decrease in parts sales and contract flying offset by an increase in MRO activity; and

- a decrease in capitalization of major maintenance overhauls on owned aircraft of $1.7 million; partially offset by
- a decrease in general administrative expenses.

Corporate Adjusted EBITDA was $(6.7) million compared to $(5.4) million in the fourth quarter of 2022 primarily due to an increase in stock-based compensation of $1.2 million due to an increase in the Common Share price offset by the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk).

Adjusted net income was $20.2 million for the quarter, a decrease of $11.6 million compared to the fourth quarter of 2022 primarily due to:

- a $12.8 million decrease in Adjusted EBITDA as previously described; and
- an increase in depreciation expense of $3.0 million primarily attributable to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimates on certain aircraft; partially offset by
- a decrease in net interest costs of $4.5 million.

Net income decreased $9.2 million compared to the fourth quarter of 2022 primarily due to:

- the previously noted decrease in Adjusted net income of $11.6 million;
- a change in net unrealized foreign exchange of $21.3 million; and
- an increase in impairment provisions of $4.9 million primarily related to the planned repossession of two aircraft from one lessee; partially offset by
- a change in realized foreign exchange on the settlement of intercompany loans of $26.4 million; and
- a decrease in lease repossession costs of $2.1 million.

Annual Summary

Chorus reported Adjusted EBITDA of $458.7 million for 2023, an increase of $17.6 million compared to the same prior year period.

The RAL segment's Adjusted EBITDA was $237.1 million, an increase of $17.6 million compared to the same prior year period primarily due to:

- an increase in lease revenue of $26.5 million due to four additional months of lease revenue versus the same period in 2022 for Falko, the release of end of lease ("**EOL**") compensation and maintenance reserves of $13.9 million and a higher US dollar exchange rate offset by a decrease in lease revenue due to the sale of wholly-owned aircraft in 2022 and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of $10.9 million; partially offset by
- a decrease in net gain on sale of assets of $10.9 million related to the sale of wholly-owned aircraft in 2022.

The RAS segment's Adjusted EBITDA was $249.3 million, an increase of $0.5 million compared to the same prior year period primarily due to:

- an increase in other revenue of $5.0 million primarily due to Voyageur's increase in parts sales and MRO activity offset by a decrease in contract flying; and
- a decrease in general administrative expenses; partially offset by
- a contracted decrease in Fixed Margin of $3.0 million; and

- a decrease in capitalization of major maintenance overhauls on owned aircraft of $4.0 million.

Corporate Adjusted EBITDA was $(27.7) million compared to $(27.2) million in 2022, primarily due to:

- an increase in stock-based compensation of $1.7 million due to an increase in the Common Share price offset by the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk); partially offset by
- a decrease in general administrative expenses related to salaries, wages and benefits, professional fees, and travel expenses.

Adjusted net income of $98.0 million, a decrease of $20.8 million compared to the same prior year period primarily due to:

- an increase in depreciation expense of $25.3 million primarily attributable 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 $13.5 million in income tax expense primarily due to derecognition of deferred tax assets on repossessed aircraft and certain non-deductible expenses; and
- a change in net foreign exchange of $2.9 million; partially offset by
- a $17.6 million increase in Adjusted EBITDA as previously described;
- a decrease in net interest costs of $2.3 million; and
- an increase of $1.0 million on the fair value of investments.

Net income of $106.1 million, an increase of $54.2 million compared to the same prior year period primarily due to:

- the Defined Benefit Pension Revenue of $29.9 million;
- a change in realized foreign exchange on the settlement of intercompany loans of $26.4 million;
- a decrease in lease repossession costs of $14.3 million;
- a change in net foreign exchange of $13.1 million;
- a decrease in restructuring ECL of $10.4 million; and
- a decrease in strategic advisory fees of $8.5 million; partially offset by
- the previously noted decrease in Adjusted net income of $20.8 million;
- an increase in income tax expenses on adjusted items of $18.4 million; and
- an increase in impairment provisions of $10.1 million.

2 ABOUT CHORUS

Chorus is a 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; 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 26 - Caution Regarding Forward-Looking Information).

2) **Regional Aircraft Leasing**: In the second quarter of 2022, Chorus completed the Falko Acquisition, significantly increasing RAL's portfolio of leased aircraft. Chorus rebranded its leasing business from "Chorus Aviation Capital" to "Falko Regional Aircraft". 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 provides 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 intends to make co-investments in Falko's 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; and
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 segment, 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 2024. Forecast information has also been provided for 2025 and 2026 for Jazz. This information may not be appropriate for other purposes (refer to Section 26 - Caution Regarding Forward-Looking Information).

Chorus Consolidated

(in thousands of Canadian dollars)	**Actual 2023** **$**	**2024 Forecast[1]** **$**		
Adjusted EBITDA[2]	458,666	350,000	to	400,000
Free Cash Flow[2]	331,423	290,000	to	340,000
Leverage Ratio[3]	3.6	3.1	to	3.5

(1) The forecast uses a foreign exchange rate of 1.3200 for 2024 to translate USD to CAD.
(2) The forecast is based on projected earnings under existing contracts, expected asset sales in 2024, and future market lease rates for lease renewals and extensions.
(3) The forecast is based on 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.

Jazz

The CPA provides a Fixed Margin to Jazz regardless of flying levels; therefore, any variations in flying are not expected to have any impact on Jazz's earnings. In addition, Jazz receives compensation for aircraft leased under the CPA that generates predictable Free Cash Flows. Jazz aircraft have amortizing debt that will be fully paid-off at the end of the original lease term under the CPA. At the end of each lease, Jazz will either extend the lease, sell or part-out each aircraft. Subsequent aircraft leases will continue to produce predictable Free Cash Flow at lower rates as the aircraft will be unencumbered.

(in thousands of Canadian dollars)	Actual 2023 $	Forecast 2024[1] $	2025[1] $	2026[1][2] $
Fixed Margin	63,280	60,700	59,600	43,900
Aircraft leasing under the CPA				
Revenue	148,889	128,000	113,000	93,000
Payment on long-term debt and interest	123,658	94,000	74,000	66,000
Wholly-owned aircraft leased under the CPA (end of period)	48	48	39	39
Wholly-owned aircraft leased under the CPA available for re-lease (end of period)	nil	nil	9	9
Total Fixed Margin and Aircraft leasing under the CPA less payment on long-term debt and interest	88,511	94,700	98,600	70,900

(1) The forecast uses a foreign exchange rate of 1.3200 for 2024 and 1.2700 for 2025 and 2026 to translate USD to CAD.
(2) Includes estimates for future market lease rates for 12 Q400's for 2026.

RAL

RAL continues to execute on its asset light leasing strategy which consists of monetizing select on-balance sheet aircraft assets while growing its contractual fund management business. Maximizing cash flow generation from existing assets through lease term extensions is also a key element of RAL's business model.

(in thousands of Canadian dollars)	Actual 2023 $	2024 Forecast[1] $		
Operating revenue[2]	281,464	215,000	to	235,000
Depreciation and amortization excluding impairment[3]	115,935	100,000	to	110,000
Net interest expense[3]	57,845	48,000	to	52,000
Gain on the fair value of Fund II investment[4]	3,569	5,000	to	10,000
Gross proceeds on asset sales[2]	720	100,000	to	150,000
Net proceeds on asset sales[2]	720	30,000	to	52,500

(1) The forecast uses a foreign exchange rate of 1.3200 for 2024 to translate USD to CAD revenue.
(2) The forecast reflects: a) the expected sale of nine CRJ900 engines; b) the sale of two A220-300's on lease with airBaltic on January 23, 2024; and c) certain assumptions and estimates for future market lease rates related to new and extended leases. The forecast does not include end-of-lease compensation or maintenance reserve releases. Actual 2023 includes $13.9 million of end-of-lease compensation and maintenance reserve releases.
(3) The depreciation excluding impairment and net interest expense forecast is based on the normal amortization of aircraft and long-term debt and the expected sale of assets in 2024.
(4) The forecasted gain on fair value of the Fund II investment is based on expectations related to the trading and general financial condition of the investment to compute the value of the discounted cash flows.

Fund III is anticipated to close by the end of the 2024 year and is expected 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.

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 December 31, 2023, Ravelin Holdings LP held an interest in 39 aircraft with a net book value of US $382.8 million and secured debt of US $189.0 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.

RAL Receivables

RAL is participating in the Azul S.A. ("**Azul**") restructuring which is expected to be finalized before the end of March 2024. The transaction includes the exchange of certain accounts receivable ("**Existing AR**") held by RAL and the granting of certain modifications related to the operating leases with Azul ("**Azul Restructuring**").

In exchange for the Existing AR RAL will receive new notes ("**New Notes**") from Azul which are due at various dates beginning in 2024 and ending in 2027. In addition, certain of the New Notes may be settled, at Azul's option, in cash or by the issuance of Azul's publicly listed preferred shares. The New Notes will be initially recognized at an aggregate estimated fair value. No material gain or loss is anticipated on the exchange of the Existing AR for the New Notes.

RAL collected approximately 97% of the value of its lease revenue billed in the fourth quarter of 2023 when giving effect to the expected repayment terms of the Azul Restructuring agreement.

RAL's gross receivable, primarily related to rent relief arrangements,[1] may decrease from the December 31, 2023 balance of US $108.2 million to between US $90.0 million and US $95.0 million by the end of 2024 based on management's current repayment expectations (refer to Section 22 - RAL Receivables).

RAL's lease deferral receivable exposure is partially mitigated by security packages held of approximately US $20.4 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.

Capital Expenditures

Capital expenditures in 2024 are expected to be as follows:

(expressed in thousands of Canadian dollars)	**Actual 2023** **$**	**Forecast 2024(1)** **$**		
Capital expenditures, excluding aircraft acquisitions	15,251	16,000	to	21,000
Capitalized major maintenance overhauls(2)	15,776	5,000	to	10,000
Aircraft acquisitions and improvements	12,136	12,500	to	17,500
	43,163	33,500	to	48,500

(1) The 2024 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 1.3226, the December 31, 2023 closing day rate from the Bank of Canada.

(2) The 2024 plan includes between $5.0 million to $9.0 million of costs that are expected to be included in Controllable Costs. Actual 2023 includes $6.1 million which are included in Controllable Costs.

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5 FLEET

As of December 31, 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	54
Wholly-owned third-party leased and contract flying	Voyageur	RAS	23
Wholly-owned aircraft - non-operating[5]	Voyageur	RAS	15
RAS segment total[6]			140
Total			**362**

(1) FIL owns 62 of the 124 wholly or majority-owned aircraft as of December 31, 2023.
(2) Chorus has a minority ownership interest in 67 aircraft and no ownership interest in 31 aircraft.
(3) RAL's total aircraft remained the same compared to the third quarter of 2023 due to the addition of two Managed Aircraft at a 3.85% ownership and the reduction of two Managed Aircraft with no ownership interest.
(4) Excludes 12 aircraft leased to Jazz which are owned/managed by Falko.
(5) Includes one Dash 8-100 and 14 Dash-300s.
(6) Includes wholly-owned aircraft leased under the CPA.

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Regional Aircraft Leasing

The following table provides the total number of wholly-owned or majority-owned aircraft in the RAL segment as at December 31, 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[(1)]	A220-300	100.00%	5
Airlink	E190	67.45%	7
Azul	ATR72-600	100.00%	3
	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
Eastern Airways	E190	100.00%	1
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%	3
Republic	E170	100.00%	5
SAS	E195	67.45%	6
Sky Alps	Dash 8-400	100.00%	2
Wings Air	ATR72-500	67.45%	10
	ATR72-600	100.00%	5
Off-lease[(2)(3)]	Dash 8-400	100.00%	7
			124

(1) On January 23, 2024, Falko closed the sale of two A220-300s on lease with airBaltic.
(2) Falko had seven off-lease aircraft as of December 31, 2023, none of which were off-lease as of December 31, 2022.
(3) Falko is in the process of repossessing two Dash 8-400s. Chorus recorded aircraft impairments, ECL provisions and lease repossession charges related to these aircraft of $4.5 million in the fourth quarter of 2023.

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The following table provides the total number of Managed Aircraft in the RAL segment as at December 31, 2023:

Customer	Aircraft Type	#	Ownership %
Air Canada	CRJ900	4	3.85%
Airlink	E170	2	3.85%
	E190	3	3.85%
American Airlines	CRJ-700	3	3.85%
Azul	E190	6	3.85%
Blue Island	ATR72-500	2	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	2	3.85%
	E190	2	3.85%
Financial institutions	29 ATRs; 2 Dash 8-400	31	nil
		98	

Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at December 31, 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	(12)	—
Total Aircraft	54	—
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	1	1
Dash 8-300	14	14
Total Non-Operational Aircraft	15	15
Total Regional Aviation Services	140	86

(1) Includes 12 aircraft leased from Falko: seven CRJ200s are wholly-owned by Falko and four 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 one aircraft leased to a third party.
(3) Includes eight aircraft leased to a third party.

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6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three months and year ended December 31, 2023 compared to the three months and year ended December 31, 2022. It focuses on Chorus' consolidated operating results and provides financial information for Chorus' operating segments. For further discussion and analysis of Chorus' business segments, refer to Section 7 - Segmented Analysis.

	Three months ended December 31,				Year ended December 31,			
(expressed in thousands of Canadian dollars)	**2023** $	**2022** $	**Change** $	**Change** %	**2023** $	**2022** $	**Change** $	**Change** %
Operating revenue	421,452	439,755	(18,303)	(4.2)	1,681,075	1,595,804	85,271	5.3
Operating expenses	368,130	367,150	980	0.3	1,449,309	1,407,538	41,771	3.0
Operating income	53,322	72,605	(19,283)	(26.6)	231,766	188,266	43,500	23.1
Net interest expense	(24,307)	(28,809)	4,502	(15.6)	(98,498)	(100,843)	2,345	(2.3)
Foreign exchange gain (loss)	19,556	14,146	5,410	38.2	23,091	(13,612)	36,703	(269.6)
Gain on property and equipment	—	16	(16)	100.0	13	172	(159)	(92.4)
Gain (loss) on fair value of investments	1,114	440	674	153.2	3,555	(133)	3,688	(2,772.9)
Income before income tax	49,685	58,398	(8,713)	(14.9)	159,927	73,850	86,077	116.6
Income tax expense	(13,064)	(12,546)	(518)	(4.1)	(53,821)	(21,933)	(31,888)	(145.4)
Net income	36,621	45,852	(9,231)	(20.1)	106,106	51,917	54,189	104.4
Net income attributable to non-controlling interest	2,443	650	1,793	275.8	4,753	3,027	1,726	57.0
Net income attributable to Shareholders	34,178	45,202	(11,024)	(24.4)	101,353	48,890	52,463	107.3
Preferred Share dividends	(8,940)	(8,913)	(27)	0.3	(35,426)	(22,902)	(12,524)	54.7
Earnings attributable to Common Shareholders	25,238	36,289	(11,051)	(30.5)	65,927	25,988	39,939	153.7
Adjusted EBITDA(1)	116,736	129,542	(12,806)	(9.9)	458,666	441,046	17,620	4.0
Adjusted EBT(1)	34,328	44,956	(10,628)	(23.6)	143,639	150,937	(7,298)	(4.8)
Adjusted net income(1)	20,208	31,826	(11,618)	(36.5)	98,048	118,842	(20,794)	(17.5)

(1) These are non-GAAP financial measures or non-GAAP ratios 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.

Three months ended December 31, 2023

For the three months ended December 31, 2023, consolidated operating revenue decreased 4.2%, compared to the same period last year. Decreased revenue in the RAS segment was primarily attributable to the contracted decrease in the Fixed Margin, decreased Pass-Through Revenue and decreased other revenue partially offset by an increase in Controllable Cost Revenue. Decreased revenue in the RAL segment was primarily attributable to lower lease revenue related to the sale of wholly-owned aircraft in 2022 and lower market lease rates on re-leased aircraft and decreased net gain on sale of assets related to the sale of wholly-owned aircraft in 2022.

Operating expenses increased 0.3% for the three months ended December 31, 2023 compared to the same period last year primarily due to increased engine overhaul maintenance events, higher salaries, wages and benefits, increased depreciation expense related to a change in depreciation estimate on certain aircraft, impairment provisions and increased stock-based compensation; partially offset by decreased ECL provisions, decreased lease repossession costs and decreased Pass-Through Costs.

Net interest expense decreased 15.6% for the three months ended December 31, 2023 compared to the same period last year primarily due to the redemption of the 6.00% Debentures in December 2022 and increased interest accretion income on the present value of accounts receivable related to the Falko Acquisition; partially offset by interest on the Operating Credit Facility.

Foreign exchange gains increased for the three months ended December 31, 2023 compared to the same period last year primarily related to an increase in foreign exchange gains on long-term debt and intercompany loans partially offset by decreased foreign exchange gains on working capital. The December 31, 2023 closing exchange rate was 1.3226 compared to 1.3520 at September 30, 2023. The December 31, 2022 closing exchange rate was 1.3544 compared to 1.3707 at September 30, 2022.

Gain on fair value of investments, related to Fund II, increased for the three months ended December 31, 2023 compared to the same period last year.

Year ended December 31, 2023

For the year ended December 31, 2023, consolidated operating revenue increased 5.3%, 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 partially offset by the contracted decrease in the Fixed Margin. 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, the release of EOL compensation and maintenance reserves of $13.9 million and a higher US dollar exchange rate; partially offset by lower lease revenue related to the sale of wholly-owned aircraft in 2022 and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of $10.9 million and decreased net gain on sale of assets related to the sale of wholly-owned aircraft in 2022.

Operating expenses increased 3.0% for the year ended December 31, 2023 compared to the same period last year primarily due to increased engine overhaul maintenance events, higher salaries, wages and benefits, increased costs related to parts sales, increased Pass-Through Costs, higher impairment provisions, increased depreciation expense related to a change in depreciation estimate on certain aircraft, and the fact that Falko had 12 months of operating expenses versus eight months in 2022; partially offset by decreased lease repossession costs and ECL provisions.

Net interest expense decreased 2.3% for the year ended December 31, 2023 compared to the same period last year primarily due to the redemption of the 6.00% Debentures in December 2022, the recognition of income related to the discontinuance of hedge accounting on an interest rate swap and increased interest accretion income on the present value of accounts receivable related to the Falko Acquisition partially offset by interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility.

Foreign exchange gains increased for the year ended December 31, 2023 compared to the same period last year primarily related to an increase in foreign exchange gains on long-term debt and intercompany loans partially offset by decreased foreign exchange gains on working capital. The December 31, 2023 closing exchange rate was 1.3226 compared to 1.3544 at December 31, 2022. The December 31, 2021 closing exchange rate was 1.2678.

Gain on fair value of investments, primarily related to Fund II and third party investments, increased for the year ended December 31, 2023 compared to the same period last year.

Income tax expense increased for the year ended December 31, 2023 compared to the same period last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange losses and certain non deductible expenses. In addition, Chorus derecognized a deferred tax asset on certain adjusted expenses related to repossessions of aircraft and lease restructurings in FIL's aircraft portfolio on aircraft that have not yet been re-leased.

7 SEGMENTED ANALYSIS

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

(in thousands of Canadian dollars)	For the three months ended December 31, 2023				For the three months ended December 31, 2022			
	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Operating revenue	354,421	66,824	207	421,452	355,393	84,164	198	439,755
Operating expenses	316,773	44,307	7,050	368,130	311,204	50,234	5,712	367,150
Operating income (loss)	37,648	22,517	(6,843)	53,322	44,189	33,930	(5,514)	72,605
Net interest expense	(3,395)	(13,496)	(7,416)	(24,307)	(4,143)	(16,249)	(8,417)	(28,809)
Foreign exchange gain (loss)	8,448	5,101	6,007	19,556	8,009	10,448	(4,311)	14,146
Gain on property and equipment	—	—	—	—	16	—	—	16
Gain on fair value of investments	—	1,114	—	1,114	—	440	—	440
Earnings (loss) before income tax	42,701	15,236	(8,252)	49,685	48,071	28,569	(18,242)	58,398
Income tax (expense) recovery	(8,388)	(6,903)	2,227	(13,064)	(13,381)	(4,090)	4,925	(12,546)
Net income (loss)	**34,313**	**8,333**	**(6,025)**	**36,621**	**34,690**	**24,479**	**(13,317)**	**45,852**
Net income attributable to non-controlling interest	—	2,443	—	2,443	—	650	—	650
Net income (loss) attributable to Shareholders	34,313	5,890	(6,025)	34,178	34,690	23,829	(13,317)	45,202
Operating income (loss)	37,648	22,517	(6,843)	53,322	44,189	33,930	(5,514)	72,605
Depreciation and amortization excluding impairment(1)	23,030	31,393	170	54,593	23,119	28,370	68	51,557
Impairment provisions(1)	—	4,917	—	4,917	—	—	—	—
Lease repossession costs(1)	—	2,151	—	2,151	—	4,242	—	4,242
Gain on fund investments	—	1,115	—	1,115	—	935	—	935
Employee separation program(1)	638	—	—	638	203	—	—	203
Adjusted EBITDA(2)	**61,316**	**62,093**	**(6,673)**	**116,736**	**67,511**	**67,477**	**(5,446)**	**129,542**
Earnings (loss) before income tax	42,701	15,236	(8,252)	49,685	48,071	28,569	(18,242)	58,398
Impairment provisions(1)	—	4,917	—	4,917	—	—	—	—
Lease repossession costs(1)	—	2,151	—	2,151	—	4,242	—	4,242
Unrealized foreign exchange (gain) loss	(12,047)	(5,013)	20,434	3,374	(9,938)	(11,040)	3,091	(17,887)
Realized foreign exchange gain on intercompany loan(3)	—	—	(26,437)	(26,437)	—	—	—	—
Employee separation program(1)	638	—	—	638	203	—	—	203
Adjusted EBT(2)	**31,292**	**17,291**	**(14,255)**	**34,328**	**38,336**	**21,771**	**(15,151)**	**44,956**

(1) Included in operating expenses.
(2) These are non-GAAP financial measures or non-GAAP ratios 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.
(3) Realized foreign exchange gain relates to the extinguishment of intercompany loan receivables in the fourth quarter of 2023. During the term of these intercompany loan receivables the unrealized foreign exchange gain or loss was recognized on the loan receivable. The intercompany loan payable was recorded in one of Chorus' subsidiaries with a USD functional currency such that the foreign exchange offset was recognized in exchange differences on foreign operations in other comprehensive income. The elimination of the realized foreign exchange from adjusted net income reflects the economics of the intercompany transaction.

(in thousands of Canadian dollars)	For the year ended December 31, 2023				For the year ended December 31, 2022			
	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Operating revenue	1,398,857	281,464	754	1,681,075	1,332,732	262,121	951	1,595,804
Operating expenses	1,212,120	208,228	28,961	1,449,309	1,171,609	198,947	36,982	1,407,538
Operating income (loss)	186,737	73,236	(28,207)	231,766	161,123	63,174	(36,031)	188,266
Net interest expense	(15,113)	(57,845)	(25,540)	(98,498)	(18,026)	(51,175)	(31,642)	(100,843)
Foreign exchange gain (loss)	13,481	3,937	5,673	23,091	(27,590)	(6,683)	20,661	(13,612)
Gain on property and equipment	13	—	—	13	45	127	—	172
Gain (loss) on fair value of investments	—	3,555	—	3,555	—	(133)	—	(133)
Earnings (loss) before income tax	185,118	22,883	(48,074)	159,927	115,552	5,310	(47,012)	73,850
Income tax (expense) recovery	(48,391)	(18,407)	12,977	(53,821)	(35,384)	760	12,691	(21,933)
Net income (loss)	**136,727**	**4,476**	**(35,097)**	**106,106**	**80,168**	**6,070**	**(34,321)**	**51,917**
Net income attributable to non-controlling interest	—	4,753	—	4,753	—	3,027	—	3,027
Net income (loss) attributable to Shareholders	136,727	(277)	(35,097)	101,353	80,168	3,043	(34,321)	48,890
Operating income (loss)	186,737	73,236	(28,207)	231,766	161,123	63,174	(36,031)	188,266
Depreciation and amortization excluding impairment(1)	91,017	115,935	462	207,414	86,200	95,655	259	182,114
Impairment provisions(1)	—	30,591	—	30,591	—	20,499	—	20,499
Restructuring ECL provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Employee separation program(1)	1,442	—	—	1,442	1,449	847	—	2,296
Strategic advisory fees(1)	—	—	—	—	—	—	8,524	8,524
Defined Benefit Pension Revenue(3)	(29,916)	—	—	(29,916)	—	—	—	—
Gain on fund investments	—	3,569	—	3,569	—	935	—	935
Lease repossession costs(1)	—	13,800	—	13,800	—	28,059	—	28,059
Adjusted EBITDA(4)	**249,280**	**237,131**	**(27,745)**	**458,666**	**248,772**	**219,522**	**(27,248)**	**441,046**
Earnings (loss) before income tax	185,118	22,883	(48,074)	159,927	115,552	5,310	(47,012)	73,850
Impairment provisions(1)	—	30,591	—	30,591	—	20,499	—	20,499
Restructuring ECL provision(1)(2)	—	—	—	—	—	10,353	—	10,353
Employee separation program(1)	1,442	—	—	1,442	1,449	847	—	2,296
Strategic advisory fees(1)	—	—	—	—	—	—	8,524	8,524
Defined Benefit Pension Revenue(3)	(29,916)	—	—	(29,916)	—	—	—	—
Lease repossession costs(1)	—	13,800	—	13,800	—	28,059	—	28,059
Unrealized foreign exchange (gain) loss	(23,713)	(3,354)	21,299	(5,768)	26,229	5,765	(24,638)	7,356
Realized foreign exchange gain on intercompany loan(5)	—	—	(26,437)	(26,437)	—	—	—	—
Adjusted EBT(4)	**132,931**	**63,920**	**(53,212)**	**143,639**	**143,230**	**70,833**	**(63,126)**	**150,937**

(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 or non-GAAP ratios 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.
(5) Realized foreign exchange gain relates to the extinguishment of intercompany loan receivables in the fourth quarter of 2023. During the term of these intercompany loan receivables the unrealized foreign exchange gain or loss was recognized on the loan receivable. The intercompany loan payable was recorded in one of Chorus' subsidiaries with a USD functional currency such that the foreign exchange offset was recognized in exchange differences on foreign operations in other comprehensive income. The elimination of the realized foreign exchange from adjusted net income reflects the economics of the intercompany transaction.

Regional Aviation Services Analysis

Operating Income

The RAS segment reported quarterly operating income of $37.6 million and annual operating income of $186.7 million, a decrease of $6.5 million and an increase of $25.6 million, respectively compared to the same periods last year.

The quarter-over-quarter results were primarily impacted by:

- a decrease in aircraft leasing revenue under the CPA of $3.3 million primarily due to a change in lease rates on certain aircraft partially offset by a higher US dollar exchange rate;
- a decrease in other revenue of $2.0 million primarily due to Voyageur's decrease in parts sales and contract flying offset by an increase in MRO activity;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $1.7 million; and
- a contracted decrease in Fixed Margin of $0.8 million; partially offset by
- a decrease in general administrative expenses.

The year-over-year results were primarily impacted by:

- Defined Benefit Pension Revenue of $29.9 million;
- an increase in other revenue of $5.0 million primarily due to an increase in Voyageur's parts sales and MRO activity offset by a decrease in contract flying; and
- a decrease in general administrative expenses; partially offset by
- an increase in depreciation expense of $4.8 million primarily related to capital expenditures incurred in 2022;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $4.0 million; and
- a contracted decrease in Fixed Margin of $3.0 million.

Non-Operating Expenses

Foreign exchange produced a gain for the three months and year ended December 31, 2023 compared to a foreign exchange gain for the three months ended December 31, 2022 and loss for the year ended December 31, 2022. These changes are primarily unrealized and are related to US dollar loans and also includes foreign exchange on working capital. The December 31, 2023 closing exchange rate was 1.3226 compared to 1.3544 at December 31, 2022.

Adjusted EBITDA

Adjusted EBITDA decreased $6.2 million for the three months ended December 31, 2023 compared to the same period last year due to changes described above for operating income.

Adjusted EBITDA increased $0.5 million for the year ended December 31, 2023 compared to the same period last year primarily due to changes described above for operating income excluding the Defined Benefit Pension Revenue and depreciation expense.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $852.9 million
- Approximately US $495.2 million in future contracted lease revenue[1,2]
- Current weighted average fleet age of 7.5 years[3]
- Current weighted average remaining lease term of 6.4 years[3]
- 100% of debt has a fixed rate of interest
- Current weighted average cost of borrowing of 3.33%

1 Refer to Section 26 - Caution Regarding Forward-Looking Information.
2 The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA.
3 Fleet age and remaining lease term is calculated based on the weighted-average of the aircraft net book value.

Regional Aircraft Leasing Analysis

Operating Income

The RAL segment reported an operating income of $22.5 million for the three months ended December 31, 2023, a decrease of $11.4 million compared to the same period in 2022.

The quarter-over-quarter results were impacted by:

- a decrease in net gain on sale of assets of $8.2 million due to the sale of wholly-owned aircraft in 2022;
- a decrease in lease revenue of $7.0 million due to the sale of wholly-owned aircraft in 2022 which generated lease revenue of $5.1 million and lower market lease rates on re-leased aircraft;
- aircraft impairment provisions of $4.9 million primarily due to the planned repossession of two aircraft from one lessee; and
- an increase in depreciation expense of $3.0 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 asset management fees of $2.1 million; and
- an increase in general administrative expense; partially offset by
- a decrease in ECL provisions of $11.9 million related to improved credit ratings on certain lessees; and
- a decrease in lease repossession costs of $2.1 million.

The RAL segment reported an operating income of $73.2 million for the year ended December 31, 2023, an increase of $10.1 million compared to the same period in 2022.

The year-over-year results were impacted by:

- an increase in lease revenue of $26.5 million primarily related to:
  - four additional months of lease revenue versus the same period last year for Falko;
  - the release of EOL compensation and maintenance reserves of $13.9 million; and
  - a higher US dollar exchange rate; partially offset by

    - lower lease revenue of $20.1 million related to the sale of wholly-owned aircraft in 2022; and
    - recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of $10.9 million;
- a decrease in restructuring ECL provisions and lease repossession costs of $24.6 million;
- a decrease in ECL provisions of $10.3 million related to improved credit ratings on certain lessees; and
- an increase of $3.8 million in asset management fees related to four additional months of revenue versus the same period last year; partially offset by
- an increase in depreciation expense of $20.3 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;
- a decrease in net gain on sale of assets of $10.9 million;
- an increase of $10.1 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 decreased for the three months ended December 31, 2023 compared to the same period in 2022 primarily due to the reduction in long-term debt and increased interest accretion income on the present value of accounts receivable related to the Falko Acquisition.

Net interest expense increased for the year ended December 31, 2023 compared to the same period in 2022 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 and increased interest accretion income on the present value of accounts receivable related to the Falko Acquisition.

Gain on fair value of investments, related to Fund II, increased by $0.7 million for the three months ended December 31, 2023 compared to the same period in 2022.

Gain on fair value of investments, related to Fund II and third party investments, increased by $3.7 million for the year ended December 31, 2023 compared to the same period in 2022.

Adjusted EBT

Adjusted EBT decreased by $4.5 million for the three months ended December 31, 2023 compared to the same period in 2022 primarily due to a decrease in lease revenue, a decrease in net gain on asset sales, increased depreciation expense and an increase in general administrative expense offset by lower ECL provisions.

Adjusted EBT decreased by $6.9 million for the year ended December 31, 2023 compared to the same period in 2022 primarily due to increased depreciation expense, lower lease revenue related to the sale of wholly-owned aircraft in 2022 and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 and a decrease in net gain on sale of assets; partially offset by four additional months of Falko's earnings compared to the same period last year and lower ECL provisions.

Portfolio

Fleet *(as at December 31, 2023)*

- Fleet of 124 wholly or majority-owned aircraft
- Approximately US $648.5 million in future contracted lease revenue[1]

- RAL collected approximately 86.5% of lease revenue billed in the fourth quarter of 2023
- Current net book value of approximately US $1.4 billion in addition to assets held for sale of US $65.6 million
- Current weighted average fleet age of 9.1 years[2]
- Current weighted average remaining lease term of 3.9 years[2]
- The RAL segment has limited net exposure to changes in interest rates because 89.9% 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 4.90%

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

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily of Common Shares, Preferred Shares and debt consisting of Series A Debentures, Series B Debentures, Series C Debentures, senior secured amortizing facilities, revolving loan facilities, Operating Credit Facility, Bi-Lateral Credit 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 3.1 to 3.5 by December 31, 2024 (refer to Section 26 - 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 December 31, 2023 and December 31, 2022.

(expressed in thousands of Canadian dollars)	**December 31, 2023 $**	**December 31 2022 $**	**Change $**
Equity			
Capital	781,698	788,698	(7,000)
Contributed surplus	1,034,194	1,037,801	(3,607)
Deficit	(649,382)	(702,412)	53,030
Exchange differences on foreign operations	325	28,437	(28,112)
Equity component of convertible debentures	2,683	2,683	—
Warrants	24,366	24,366	—
	1,193,884	1,179,573	14,311
Long-term debt	1,745,004	2,018,967	(273,963)
Lease liabilities	10,576	11,309	(733)
Total capital	2,949,464	3,209,849	(260,385)

As at February 14, 2024 and December 31, 2023, the issued and outstanding shares of Chorus were as follows:

	February 14, 2024	**December 31, 2023**
Total issued and outstanding Common Shares	193,427,537	193,427,537
Common Shares potentially issuable		
Stock-based compensation plans	6,817,882	6,817,882
Total outstanding and potentially dilutive Common Shares	200,245,419	200,245,419
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.

Normal Course Issuer Bid

On November 8, 2023, the Corporation received approval from the TSX to renew the NCIB for its Common Shares. Under the renewed NCIB, the Corporation is authorized to purchase for cancellation up to a maximum of 15,160,372 of its Common Shares, representing 10% of the public float of the Common Shares as of November 6, 2023 calculated in accordance with TSX rules. The NCIB commenced on November 14, 2023 and concludes on the earlier of the date on which the Corporation purchases the maximum number of Common Shares permitted under the NCIB and November 13, 2024. Security holders may obtain a copy of the NCIB notice, without charge, by contacting the Corporation.

In connection with the NCIB, the Corporation entered into an automatic securities purchase plan (the "**ASPP**") with its designated broker to allow for the purchase of Common Shares on any trading day during the NCIB during pre-determined trading blackout periods, subject to certain parameters as to price and number of Common Shares. Outside of these pre-determined blackout periods, Common Shares may also be repurchased in accordance with management's discretion, subject to applicable law. The Corporation may vary, suspend or terminate the ASPP only if it does not have material non-public information, and the decision to vary, suspend or terminate the ASPP is not taken during a trading blackout period.

The current NCIB follows on the conclusion of Chorus' previous NCIB that expired on November 13, 2023. Under the previous NCIB, the Corporation purchased 9,177,784 Common Shares through the facilities of the TSX at a weighted average price of $3.25 per Common Share.

As of December 31, 2023, the Corporation had purchased and cancelled 445,667 Common Shares under the current NCIB at a weighted average price of $2.23 per Common Share. There can be no assurance as to how many Common Shares, if any, will be acquired by Chorus pursuant to 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:

(expressed in thousands of Canadian dollars)	**December 31, 2023** **$**	**December 31, 2022** **$**
Secured long-term debt and credit facilities[1]		
Amortizing term loans		
Secured by aircraft	1,075,129	1,293,761
Secured by engines	3,082	4,507
Warehouse credit facility	66,357	85,847
Nova Scotia Jobs Fund loan - secured by office building	4,000	5,000
Asset-backed securitization	249,907	309,665
Operating Credit Facility	87,000	—
	1,485,475	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	33,065	101,580
	1,762,290	2,044,110
Less:		
Deferred financing fees	(9,535)	(12,816)
Accretion discount on amortizing term loans and asset-backed securitization	(6,289)	(10,348)
Accretion discount on convertible debentures	(1,462)	(1,979)
	1,745,004	2,018,967
Less: Current portion[2]	430,082	340,308
	1,314,922	1,678,659

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at 1.3226 which was the exchange rate in effect at closing on December 31, 2023 (December 31, 2022 - 1.3544).

(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.2 million and interest accretion of $3.5 million, respectively for the year ended December 31, 2023 (December 31, 2022 - $1.5 million and $3.9 million, respectively). In addition, the current portion includes the Series A Debentures of $86.3 million and debt related to two A220-300s held for sale of $58.2 million.

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 4.37%, maturing between February 2024 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 five 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 4.19%, 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 8.72%, 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 5.04%.

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 December 31, 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 redeemed 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 any required regulatory approvals 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 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 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 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 are listed for trading 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 redeemed 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.

Subject to any required regulatory approvals 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 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 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 satisfy its obligation to pay interest on the Series B Debentures by delivering Common Shares to the trustee under the indenture governing the Series B Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $69.5 million, net of transactions costs associated with the offering. 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.

The Series B Debentures are listed for trading 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 redeemed any time after March 31, 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 any required regulatory approvals 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 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 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 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 are listed for trading on the TSX under the symbol CHR.DB.C.

Loan facilities

<u>Operating Credit Facility</u>

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. Letters of credit issued by Chorus under this facility reduce the amount available under the 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 each of 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.

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

FIL and certain of its subsidiaries are parties to a warehouse credit facility. 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 December 31, 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 December 31, 2023, excluding unamortized deferred financing fees and interest accretion, are as follows:

(expressed in thousands of Canadian dollars)	$
No later than one year	434,775
Later than one year and no later than five years	1,141,138
Later than five years	186,377
	1,762,290

Covenant Default Risk

Chorus' debt agreements contain financial and non-financial covenants which if breached and not waived by the relevant lenders could result in the acceleration of indebtedness. To the extent that debt agreements are cross-defaulted, a default or acceleration under one agreement could cause a default or acceleration under another agreement.

As at December 31, 2023, Chorus' largest lender held approximately 45% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes approximately 4% under the Unsecured Credit Facility, FIL's subsidiaries owe approximately 45% 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 46% 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 December 31, 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 December 31, 2023, 92.0% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 8.0% 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 December 31, 2023, Chorus had seven (December 31, 2022 - ten) interest rate swap agreements with notional amounts totaling $115.6 million (December 31, 2022 - $169.2 million). The fair value of interest rate swaps was as follows:

	As at December 31,	
	2023	**2022**
(in thousands of Canadian dollars)	**$**	**$**
Other long-term assets		
Interest rate swaps	1,967	6,065

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

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
(in thousands of Canadian dollars)	$	$	$	$
Other comprehensive (loss) income				
Change in fair value of financial assets and liabilities, net of tax recovery (expense) of $81 and $287 (2022 - ($13) and ($1,131))	(568)	90	(3,851)	7,916
Income statement				
(Loss) gain on ineffective interest rate swap[(1)]	(654)	(9)	533	2,043

(1) For the year ended December 31, 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 December 31, 2023, Chorus had six loans which totaled $75.9 million and four derivative agreements which referenced notional amounts totaling $16.6 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 26 - Caution Regarding Forward-Looking Information).

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous considering all relevant factors, including credit margin, term and basis. 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 $76.3 million and US denominated financial liabilities was $415.1 million at December 31, 2023. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $3.4 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 "Material Accounting Policies", of the audited consolidated financial statements of the Corporation for the year ended December 31, 2023.

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

	Three months ended December 31,		**Year ended December 31,**	
	2023	**2022**	**2023**	**2022**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Income statement				
Gain (loss) on Total Return Swap	1,603	5,359	(4,904)	(293)

9 LIQUIDITY

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

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

As of December 31, 2023, Chorus' liquidity was $170.3 million including cash of $86.0 million and $84.3 million of available credit under its Operating Credit Facility including one of the Bi-Lateral Credit Facilities for $30.0 million. Liquidity decreased from the third quarter of 2023 by $40.3 million as the third quarter liquidity included a prepayment for October's Controllable Cost Revenue of $47.8 million.

During the quarter, Chorus generated cash flow from operations of $21.1 million. Other key changes during the quarter which decreased cash were as follows:

- Scheduled debt repayments of $81.4 million;
- Investment in working capital of $62.9 million primarily due to a decrease in accounts payable related to a prepayment in September for October's Controllable Cost Revenue of $47.8 million and an increase in the Air Canada receivable of $23.8 million primarily related to increased engine overhaul maintenance events;
- Capital expenditures of $13.2 million; and
- Payment of Preferred Share dividends of $9.0 million; partially offset by
- Operating Credit Facility draw of $62.0 million; and

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- An increase in security deposits and maintenance reserves of $15.3 million.

At December 31, 2023, the Controllable Cost Guardrail receivable was $32.5 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 December 31, 2023 balance sheet was $171.7 million (December 31, 2022 - $228.9 million). The current portion of contracted aircraft operating lease receivables as at December 31, 2023 is estimated to be approximately $341.2 million converted to CAD at the December 31, 2023 rate of 1.3226. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately $169.5 million. (Refer to Section 26 - Caution Regarding Forward-Looking Information.)

Leverage

Chorus' Leverage Ratio improved to 3.6 at December 31, 2023 from 4.4 at December 31, 2022 as a result of Chorus' increase in the trailing 12-months Adjusted EBITDA of $17.6 million and repayments of 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 months and year ended December 31, 2023 and December 31, 2022.

	Three months ended December 31,		Year ended December 31,	
(expressed in thousands of Canadian dollars)	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Cash provided by operating activities	21,143	81,633	299,675	279,512
Cash used in financing activities	(32,902)	(250,500)	(325,550)	(71,459)
Cash provided by (used in) investing activities	3,936	74,551	37,557	(231,369)
Cash flow from operating, financing and investing activities	(7,823)	(94,316)	11,682	(23,316)
Effect of foreign exchange rate changes on cash	(2,780)	(113)	(3,176)	12,781
Net change in cash during the periods	(10,603)	(94,429)	8,506	(10,535)
Cash and restricted cash – Beginning of periods	187,020	262,340	167,911	178,446
Cash and restricted cash – End of periods	176,417	167,911	176,417	167,911

Cash provided by operating activities

Chorus had cash inflows from operating activities of $21.1 million for the three months ended December 31, 2023, compared to $81.6 million for the three months ended December 31, 2022. The decrease was primarily attributable to an investment in working capital of $62.9 million primarily due to a decrease in accounts payable related to a prepayment in September for October's Controllable Cost Revenue and an increase in the Air Canada receivable primarily related to increased engine overhaul maintenance events.

Chorus had cash inflows from operating activities of $299.7 million for the year ended December 31, 2023, compared to $279.5 million for the year ended December 31, 2022. The increase was primarily due to an increase in operating income partially offset by the release of ECL provisions, an increase in the Air Canada receivable primarily related to increased engine overhaul maintenance events and a decrease in current income tax payable.

Cash used in financing activities

Cash used in financing activities for the three months ended December 31, 2023 was $32.9 million, comprised primarily of payments on long-term borrowings of $81.4 million, payment of dividends on the Preferred Shares of $9.0 million, distributions to non-controlling interests of $2.0 million and repurchase of Common Shares under the NCIB of $1.0 million partially offset by a net draw on the Operating Credit Facility of $62.0 million.

Cash used in financing activities for the three months ended December 31, 2022 was $250.5 million, comprised primarily of the redemption of $115.0 million principal amount of the 6.00% Debentures, payments on long-term borrowings of $94.0 million which included scheduled payments of $86.2 million and a $7.8 million repayment on loans related to the sale of aircraft, repayment on the Operating Credit Facility of $24.2 million, payment of dividends on the Preferred Shares of $9.1 million, repurchase of Common Shares under the NCIB of $5.5 million and distributions to non-controlling interests of $1.6 million.

Cash used in financing activities for the year ended December 31, 2023 was $325.6 million, comprised primarily of payments on long-term borrowings of $341.2 million, payment of dividends on the Preferred Shares of $35.1 million, repurchase of Common Shares under the NCIB of $25.5 million and distributions to non-controlling interests of $5.0 million; partially offset by a net draw on the Operating Credit Facility of $87.0 million.

Cash used in financing activities for the year ended December 31, 2022 was $71.5 million, comprised primarily of payments on long-term borrowings of $390.1 million (which included scheduled payments of $271.3 million and $118.8 million of repayment on loans related to the sale of 10 aircraft), the redemption of $115.0 million principal amount of the 6.00% Debentures, payment of dividends on the Preferred Shares of $14.6 million, distributions to non-controlling interests of $6.4 million and repurchase of Common Shares under the NCIB of $5.5 million; offset by net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition.

Cash provided by (used in) investing activities

Cash provided by investing activities for the three months ended December 31, 2023 was $3.9 million, which includes increased security deposits and maintenance reserves of $15.3 million related to leased aircraft; partially offset by capital expenditures of $13.2 million for the reconfiguration costs on certain aircraft, as well as major maintenance overhauls and other capital expenditures.

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

Cash provided by investing activities for the year ended December 31, 2023 was $37.6 million, which includes increased security deposits and maintenance reserves of $71.5 million related to leased aircraft and proceeds on return of investments of $5.9 million; partially offset by capital expenditures of $43.2 million for the reconfiguration costs on certain 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 year ended December 31, 2022 was $231.4 million, which included the Falko Acquisition, net of cash acquired of $464.8 million, capital expenditures of $62.3 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and a fund investment of $5.8 million. This was partially offset by proceeds on disposal of property and equipment of $271.3 million primarily related to the sale of aircraft and increased security deposits and maintenance reserves of $23.5 million related to leased aircraft.

Capital expenditures

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

(expressed in thousands of Canadian dollars)	**Three months ended December 31,**			**Year ended December 31,**		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
	$	**$**	**$**	**$**	**$**	**$**
Capital expenditures, excluding aircraft acquisitions	4,340	9,766	(5,426)	15,251	15,914	(663)
Capitalized major maintenance overhauls	6,080	3,017	3,063	15,776	15,974	(198)
Aircraft acquisitions and improvements[1]	2,771	12,609	(9,838)	12,136	30,392	(18,256)
Total capital expenditures	13,191	25,392	(12,201)	43,163	62,280	(19,117)

(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 months and year ended December 31, 2023, the Corporation declared $8.9 million and $35.4 million, respectively in Preferred Share dividends ($8.9 million and $22.9 million, respectively, for the three months and year ended December 31, 2022).

For the three months and year ended December 31, 2023, the Corporation paid $9.0 million and $35.1 million, respectively in Preferred Share dividends ($9.1 million and $14.6 million, respectively for the three months and year ended December 31, 2022).

Contractual obligations and other commitments

Chorus has commitments related to scheduled payments of principal and interest on long-term debt and lease liabilities for the years 2024 through to 2028 and thereafter, all of which are summarized in the following table.

			Payments Due by Period		
(expressed in thousands of Canadian dollars)	**Total** $	**Within 1 year** $	**2 - 3 years** $	**4 - 5 years** $	**After 5 years** $
Long-term debt	1,942,013	505,738	900,817	338,430	197,028
Lease liabilities	12,313	3,828	4,515	1,824	2,146
	1,954,326	509,566	905,332	340,254	199,174

A significant portion of long-term debt and lease liabilities are payable in US dollars and have been converted using a foreign exchange rate of 1.3226.

Actual contractual obligations and other commitments may vary. These projections are based on certain assumptions including foreign exchange rates and current contractual terms. Please refer to Section 26 - Caution regarding forward-looking information and Section 10 - Risk Factors for risks related to this forward-looking information. The current projections differ from previous projections as a result of a net draw on the Operating Credit Facility, new finance lease liabilities and a change in the foreign exchange rate, among other things.

Future lease receivables from lessees under operating leases

As at December 31, 2023, Chorus has commitments from aircraft lessees related to scheduled receivables under operating leases for aircraft for the years 2024 through to 2028 and thereafter, all of which are summarized in the following table:

			Payments Due by Period		
(expressed in thousands of Canadian dollars)	**Total** $	**Within 1 year** $	**2 - 3 years** $	**4 - 5 years** $	**After 5 years** $
Operating leases	1,589,855	361,706	552,039	352,719	323,391

A significant portion of lease receivables in US dollars and Euro and have been converted using a foreign exchange rate of 1.3226 and 1.4599, respectively.

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

Off balance sheet arrangements and guarantees

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

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

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

10 RISK FACTORS

For a more detailed description of the possible risk factors associated with Chorus' business, including its dependence on the CPA, the aviation industry, the aircraft leasing business carried on by Falko, and the Voyageur business refer to Section 8 - Capital Structure of this MD&A and the Section entitled "Risk Factors" in Chorus' Annual Information Form dated February 22, 2024 (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, 2023 and 2022).

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 26 - Caution Regarding Forward-Looking Information.) The material accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the years ended December 31, 2023 and 2022.

Employee future benefits

Chorus' significant policies related to the Jazz pilots' defined benefit pension plan ("**Pilot DB Plan**"), the defined benefit supplemental executive retirement plan (the "**SERP DB Plan**", and together with the Pilot DB Plan "**Pension Benefits**"), and the Other Future Employee Benefits are as follows:

- The cost of Pension Benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees. Obligations are attributed to the period beginning on the date the employee joins the plan and ending on the earlier of the date of termination, death or retirement. Actuarial gains and losses on the pension benefits are recognized in full in the period in which they occur in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods. Current service cost, the recognized element of any past service cost, the interest income on plan assets and the interest arising on the pension liability are included in salaries, wages and benefits in the statement of income.
- Other Employee Benefits consist of two categories of benefits:
    - Medical and dental benefits provided to employees while on long-term disability, and Worker's Compensation and Workers Safety Insurance Board benefits in respect of Ontario employees, are collectively referred to as other long-term benefits. The actuarial gains and losses for this component of Other Employee Benefits are charged to operating expense in the year they occur.
    - Sick leave benefits are paid to certain employees upon or just prior to retirement. The actuarial gains and losses on this component of other employee benefits are charged to other comprehensive income in the year they occur.
- The cost of the Other Employee Benefits is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation, as applicable to each of the categories of benefits.
- Past service costs arising from plan amendments of the defined benefit pension plan and the supplemental executive retirement plan and other employee benefit plans are recognized immediately in income.
- The registered pension plan is subject to certain minimum funding requirements. The liability, where applicable, in respect of the minimum funding requirement is determined using the projected minimum funding requirements based on actuarial forecasts. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability is recognized in other comprehensive income without subsequent reclassification to income.
- The measurement date of each of the plans' assets and obligations is December 31. Pension obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement. The obligations relating to other employee benefits plans are attributed to the period beginning on the employee's date of joining the plan or disablement (whichever applicable) and ending on the earlier of retirement or end of disablement or age 65 (whichever applicable).
- Chorus also maintains several defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable.

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

- The discount rate used to determine the pension and benefit obligation and the interest income on assets was determined by reference to market interest rates, as of the measurement date, on high quality debt instruments with cash flows that approximately match the timing and amount of expected benefit payments. It is reasonably possible that these rates may change in the future as a result of changes in market interest rates.
- The health care inflation used to determine cost of Other Future Employee Benefits costs is based on recent industry experience and long-term expectations. The weighted average health care inflation assumption used for the health care plans is 5.2% per annum for 2023 and 4.0% per annum for 2040 and later years.
- Actual experience that differs from assumptions made by management will result in a net actuarial gain or loss, which is recognized each period through other comprehensive income.

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

	Fiscal year ended December 31,	
	2023	**2022**
Weighted average assumptions used to determine accrued benefit obligation		
- Discount rate	4.6% - 4.7%	5.2% - 5.3%
- Rate of compensation increase	2.0% - 4.5%	2.0% - 4.5%
- Health care inflation — Select	5.2%	5.2%
- Health care inflation — Ultimate	4.0%	4.0%
- Year ultimate trend reached	2040	2040
Weighted average assumptions used to determine pension and benefit costs		
- Discount rate	5.2% - 5.3%	2.8% - 3.1%
- Rate of compensation increase	2.0% - 4.5%	2.0% - 4.5%
- Health care inflation — Select	5.2%	5.3%
- Health care inflation — Ultimate	4.0%	4.0%
- Year ultimate trend reached	2040	2040

Depreciation and amortization of long-lived assets

Management makes estimates about the expected useful lives of long-lived assets and the expected residual value of the assets based on the estimated current fair value of the assets, Chorus' fleet plans and the cash flows they generate. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in operating costs, changes in utilization of the aircraft, and changing market prices for new and used aircraft of the same or similar types. Estimates and assumptions are evaluated at least annually. These adjustments are accounted for on a prospective basis, through depreciation, amortization and impairment expense. A 10% reduction to the residual values of aircraft with remaining depreciation periods greater than five years would result in an increase of $7.7 million to annual depreciation expense. For aircraft with shorter remaining depreciation periods, the residual values are not expected to change significantly.

Impairment of non-financial assets

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

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

For any aircraft for which an indicator of impairment is present, management estimates the recoverable amount which is the greater of fair value less cost of disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested. For the three months and year ended December 31, 2023, Chorus recorded impairment provisions of $4.9 million and $30.6 million, respectively (three months and year ended December 31, 2022 - $nil and $20.5 million, net of recoveries, respectively).

In assessing recoverable amounts, Chorus makes significant estimates and assumptions about the expected useful lives and the expected residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types, and considers contractual cash flows, the creditworthiness of its lessees and Chorus' anticipated utilization and maintenance condition of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption of 2.0%. The September 30, 2023 value in use is estimated by taking the present value of future cash flows obtainable as a result of an asset's continued use, including those from its ultimate disposition, discounted at 7.20% (December 31, 2023 - 6.29%; December 31, 2022 - 7.20%).

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

Impairment of financial assets

Chorus' principal financial assets that are subject to the ECL model are trade and other receivables resulting from its leasing activities.

Chorus has entered into rent relief arrangements with certain of its lessees.

Chorus uses the IFRS 9 simplified approach to measure the allowance for ECL which uses a lifetime expected loss for all trade receivables, deferred receivables and long-term receivables by establishing a provision matrix that is based on Chorus' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant judgements are made in determining these factors. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

For the three months and year ended December 31, 2023, Chorus recorded a recovery related to the allowance for ECL of trade and other receivables of $7.9 million and $4.1 million, respectively (three months and year ended December 31, 2022 expense - $3.2 million and $15.8 million, respectively), which is included in operating expense.

13 CHANGES IN ACCOUNTING STANDARDS

The material accounting policies of Chorus are described in note 3 of the December 31, 2023 consolidated financial statements.

New accounting standards adopted during the year

Amendments to IAS 1 - Presentation of Financial Statements - Disclosure of Accounting Policies

The International Accounting Standards Board ("IASB") issued amendments to IAS 1 that require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also provide guidance on the application of materiality to the disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements. These amendments are effective for annual periods beginning on or after January 1, 2023.

Although adoption of the amendments did not result in any changes to accounting policies, they impacted the accounting policy information disclosed in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in note 3 Material Accounting Policies (2022- Significant Accounting Policies) in certain instances in line with the amendments.

Amendments to IAS 8 - Changes in estimates vs changes in accounting policies

The IASB issued narrow-scope amendments to IAS 8 – accounting policies, changes in accounting estimates and errors. The amendments to IAS 8 clarify how companies distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retroactively to past transactions and other past events. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the amendments had no impact on the consolidated financial statements.

Amendments to IAS 12 - Deferred Tax on Assets and Liabilities Arising from Leases

The IASB issued narrow-scope amendments to IAS 12, "Income Taxes". Amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the amendment had no impact on the consolidated financial statements as Chorus did not apply the initial recognition exemption to leases.

Amendments to IAS 12 - International Tax Reform

The IASB issued amendments to IAS 12, "Incomes Taxes". The Organization for Economic Co-operation and Development ("OECD") has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as "Pillar Two"), with certain aspects of Pillar Two effective January 1, 2024 and other aspects effective January 1, 2025. In Canada, the government released draft legislation on Pillar Two in August 2023; however, it is uncertain when Canada will enact legislation to adopt Pillar Two.

All Chorus entities have an effective tax rate that exceeds 15%, except for the subsidiaries which operate in Ireland. For the period ended December 31, 2023, Chorus has applied the exemption to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Due to the complexities in applying the legislation and calculating global anti-base erosion income (“GloBE”), the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. There might still be Pillar Two tax implications even for those entities within Chorus that have an accounting effective tax rate above 15%. Chorus has engaged tax specialists to assist it with applying the legislation.

Accounting standards issued but not yet applied

Amendments to IAS 1 - Non-current Liabilities with Covenants

The IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments require disclosure of information about these covenants in the notes to the financial statements. Chorus is currently evaluating these amendments and not does expect any material impact on the consolidated financial statements.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The IASB issued amendments to IFRS 16 relating to sale leaseback transactions for seller-lessees which are effective for annual reporting periods beginning on or after January 1, 2024. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. Chorus is currently evaluating these amendments and not does expect any material impact on the consolidated financial statements.

Amendments to IAS 21 - Lack of Exchangeability

The IASB issued amendments to IAS 21 – The effects of changes in foreign exchange rates in relation to the lack of exchangeability which are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. Chorus does not expect any impact of these amendments on the consolidated financial statements.

14 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:

	As at December 31, 2023			**As at December 31, 2022**		
(expressed in thousands of Canadian dollars)	**Fair value**	**Carrying value**	**Deferred financing fees(1)**	**Fair value**	**Carrying value**	**Deferred financing fees(1)**
	$	**$**	**$**	**$**	**$**	**$**
Finance lease receivables(2)	35,088	41,770	—	46,871	46,954	—
Investments						
Held for trading(3)	—	—	—	85	85	—
Third party(4)	449	449	—	374	374	—
Fund investment(4)	24,374	24,374	—	25,549	25,549	—
Other long-term assets						
Defined benefit pension receivable(2,5)	24,377	24,377	—	—	—	—
Interest rate swaps(6)	1,967	1,967	—	6,065	6,065	—
Long-term debt						
Amortizing term loans(7)	1,089,848	1,148,582	4,680	1,290,955	1,389,128	6,017
Asset-backed securitization(7)	236,916	243,604	—	292,972	299,304	—
Series A Debentures(8)	84,525	86,250	874	81,722	86,250	1,690
Series B Debentures(8)	66,345	71,038	1,538	67,715	70,521	2,066
Series C Debentures(8)	71,825	85,000	2,443	71,825	85,000	3,043
Operating Credit Facility(9)	87,000	87,000	—	—	—	—
Unsecured Credit Facility(9)	33,005	33,065	—	99,657	101,580	—
Other long-term liabilities						
Total Return Swap(6)	4,391	4,391	—	3,813	3,813	—

(1) Fair value and carrying values exclude related deferred financing fees.
(2) Fair value is calculated by discounting annual cash flows at the relevant market interest rates.
(3) Fair value is calculated based on quoted prices observed in active markets and is classified as Level 1.
(4) Fair value is calculated by discounting annual cash flows based on limited available market information and is classified as Level 3.
(5) Current portion of defined pension benefit receivable of $5.5 million is included in accounts receivable.
(6) Fair value is estimated using valuation models that utilize market based observable inputs and is classified as Level 2.
(7) 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.
(8) Fair value is calculated based on quoted prices observed in active markets and is classified as Level 1.
(9) Fair value is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

15 PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2024 to 2028:

(expressed in thousands of Canadian dollars)	**2024** **$**	**2025** **$**	**2026** **$**	**2027** **$**	**2028** **$**
Defined benefit pension plans, current service (1)	16,300	15,000	12,300	12,600	13,000
Defined contribution pension plans	19,600	21,300	22,600	23,500	24,200
Projected pension funding obligations	35,900	36,300	34,900	36,100	37,200

(1) Under applicable pension legislation, Jazz past service contributions are driven by the plan's solvency position, a valuation basis which considers members' pay up to the valuation date, with no future projection. As such, the impact of the September 1, 2023 negotiated pay increases on the plan's solvency position will emerge over time. It is expected this will require Jazz to make past service contributions in the future, although this is dependent on future fund returns and other experience and is therefore not estimated above.

Chorus' pension funding obligations for 2023 was $12.1 million for the defined benefit pension plans and $19.3 million for the defined contribution pension plans.

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

The funding requirements for the Pilot DB Plan are based on the estimated January 1, 2023 financial position of the plan for funding purposes and an estimate of the pilot payroll over the projection period, and could differ significantly from these estimates. The estimated funding requirements for the SERP DB Plan are based on a funding policy adopted by Chorus and the January 1, 2023 financial position of the plan for funding purposes.

The solvency surplus for the Pilot DB Plan as at January 1, 2023 was $4.4 million compared to $25.0 million as at January 1, 2022.

The January 1, 2023 financial position of the Pilot DB Plan for funding purposes applies an average of the solvency ratio over a three-year period. As at January 1, 2024, the financial position of the Pilot DB Plan on a market value basis is expected to be in a small surplus, while minimum funding levels will continue to be based on an average of solvency ratios over a three-year period.

On December 18, 2023, Chorus completed annuity purchase transaction for a premium of $42.1 million and the transfer of windup liabilities of the same amount under the Jazz Defined Benefit Pension Plan for Pilots.

The foregoing contains forward-looking information and actual pension funding obligations may vary. These projections are based on certain assumptions including actuarial determinations, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees, and are subject to certain risks including changes in economic conditions, investment returns generated by the plan assets and interest rates, each of which may impact the financial position of the pension plans sponsored by Chorus and future required contributions. Please refer to Section 26 - Caution regarding forward-looking information, Section 12

- Critical Accounting Estimates, and Section 10 - Risk Factors for further risks related to this forward-looking information. The current estimated pension funding obligations differ from previous estimates as a result of, among other things, the factors listed above.

Effective September 1, 2023, Jazz and the Air Line Pilots Association representing 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.

16 RELATED PARTY TRANSACTIONS

As at December 31, 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. The design of both the DC&P and the ICFR are based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

An evaluation of the design and effectiveness of Chorus' DC&P and ICFR has been conducted by management, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2023, Chorus' disclosure controls and procedures and internal control over financial reporting, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are operating effectively.

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

There has been no change in Chorus' internal control over financial reporting that occurred during the year ended December 31, 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 audited consolidated financial statements of Chorus for December 31, 2023 and approved these documents prior to their release.

18 NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, non-GAAP financial ratios and capital management 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 exclude 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.

Chorus revised its definition of Adjusted net income in the fourth quarter of 2023 to exclude realized foreign exchange on intercompany loans to facilitate comparability of its results. Realized foreign exchange gain relates to the extinguishment of intercompany loan receivables in the fourth quarter of 2023. During the term of these intercompany loan receivables the unrealized foreign exchange gain or loss was recognized on the loan receivable. The intercompany loan payable was recorded in one of Chorus' subsidiaries with a USD functional currency such that the foreign exchange offset was recognized in exchange differences on foreign operations in other comprehensive income. The elimination of the realized foreign exchange from adjusted net income reflects the economics of the intercompany transaction.

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, realized foreign exchange on intercompany loans, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring ECL 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 26 - Caution Regarding Forward-Looking Information).

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the third quarter of 2023 to exclude 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.

Chorus revised its definition of Adjusted EBT in the fourth quarter of 2023 to exclude realized foreign exchange on intercompany loans to facilitate comparability of its results. Realized foreign exchange gain relates to the extinguishment of intercompany loan receivables in the fourth quarter of 2023. During the term of these intercompany loan receivables the unrealized foreign exchange gain or loss was recognized on the loan receivable. The intercompany loan payable was recorded in one of Chorus' subsidiaries with a USD functional currency such that the foreign exchange offset was recognized in exchange differences on foreign operations in other comprehensive income. The elimination of the realized foreign exchange from adjusted net income reflects the economics of the intercompany transaction.

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 ECL 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 ECL 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 ECL 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 ECL 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.

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(expressed in thousands of Canadian dollars)	Three months ended December 31, 2023 $	2022 $	Change $	Year ended December 31, 2023 $	2022 $	Change $
Net income	**36,621**	**45,852**	**(9,231)**	**106,106**	**51,917**	**54,189**
Add (Deduct) items to get to Adjusted net income						
Impairment provisions[1]	4,917	—	4,917	30,591	20,499	10,092
Restructuring expected credit loss provision[1][2]	—	—	—	—	10,353	(10,353)
Employee separation program[1]	638	203	435	1,442	2,296	(854)
Strategic advisory fees[1]	—	—	—	—	8,524	(8,524)
Defined Benefit Pension Revenue[3]	—	—	—	(29,916)	—	(29,916)
Lease repossession costs[1]	2,151	4,242	(2,091)	13,800	28,059	(14,259)
Unrealized foreign exchange loss (gain)	3,374	(17,887)	21,261	(5,768)	7,356	(13,124)
Realized foreign exchange gain on intercompany loan[4]	(26,437)	—	(26,437)	(26,437)	—	(26,437)
Tax (recovery) expense on adjusted items[2]	(1,056)	(584)	(472)	8,230	(10,162)	18,392
	(16,413)	(14,026)	(2,387)	(8,058)	66,925	(74,983)
Adjusted net income	**20,208**	**31,826**	**(11,618)**	**98,048**	**118,842**	**(20,794)**
Add (Deduct) items to get to Adjusted EBT						
Income tax expense	13,064	12,546	518	53,821	21,933	31,888
Tax expense (recovery) on adjusted items[2]	1,056	584	472	(8,230)	10,162	(18,392)
Adjusted EBT	**34,328**	**44,956**	**(10,628)**	**143,639**	**150,937**	**(7,298)**
Add (Deduct) items to get to Adjusted EBITDA						
Net interest expense	24,307	28,809	(4,502)	98,498	100,843	(2,345)
Depreciation and amortization excluding impairment	54,593	51,557	3,036	207,414	182,114	25,300
Foreign exchange loss	3,507	3,741	(234)	9,114	6,256	2,858
Gain on disposal of property and equipment	—	(16)	16	(13)	(172)	159
Loss on fair value of investments	1	495	(494)	14	1,068	(1,054)
	82,408	84,586	(2,178)	315,027	290,109	24,918
Adjusted EBITDA	**116,736**	**129,542**	**(12,806)**	**458,666**	**441,046**	**17,620**

(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.
(4) Realized foreign exchange gain relates to the extinguishment of intercompany loan receivables in the fourth quarter of 2023. During the term of these intercompany loan receivables the unrealized foreign exchange gain or loss was recognized on the loan receivable. The intercompany loan payable was recorded in one of Chorus' subsidiaries with a USD functional currency such that the foreign exchange offset was recognized in exchange differences on foreign operations in other comprehensive income. The elimination of the realized foreign exchange from adjusted net income reflects the economics of the intercompany transaction.

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.

(expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended December 31,			Year ended December 31,		
	2023 $	**2022 $**	**Change $**	**2023 $**	**2022 $**	**Change $**
Adjusted net income	**20,208**	**31,826**	**(11,618)**	**98,048**	**118,842**	**(20,794)**
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders						
Net income attributable to non-controlling interest	(2,443)	(650)	(1,793)	(4,753)	(3,027)	(1,726)
Preferred Share dividends declared	(8,940)	(8,913)	(27)	(35,426)	(22,902)	(12,524)
Adjusted earnings available to Common Shareholders	**8,825**	**22,263**	**(13,438)**	**57,869**	**92,913**	**(35,044)**
Adjusted earnings available to Common Shareholders per Common Share - basic	**0.05**	**0.11**	**(0.06)**	**0.30**	**0.48**	**(0.18)**

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. Management believes Leverage Ratio to be a useful ratio 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 Ratio should not be construed as a measure of cash flows.

(expressed in thousands of Canadian dollars)	**December 31, 2023 $**	**December 31, 2022 $**	**Change $**
Long-term debt (including current portion)	1,755,580	2,030,276	(274,696)
Less:			
Cash	(85,985)	(100,027)	14,042
Net debt	1,669,595	1,930,249	(260,654)
Adjusted EBITDA	458,666	441,046	17,620
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 December 31, 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 December 31, 2023, net debt decreased by $260.7 million or 13.5% from December 31, 2022. The decrease was primarily related to payments on long-term borrowings of $341.2 million partially offset by a $87.0 million draw on the Operating Credit Facility.
- Adjusted EBITDA increased for the trailing 12-months ended December 31, 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 December 31, 2023 versus eight months during the trailing 12-months ended December 31, 2022;
    - an increase in lease revenue from the release of EOL compensation and maintenance reserves of $13.9 million and a higher US dollar exchange rate; and
    - an increase in other revenue related to increased parts sales and MRO activity offset by a decrease in contract flying; partially offset by
    - lower lease revenue of $20.0 million related to the sale of wholly-owned aircraft in 2022 and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of $10.9 million; and
    - a decrease in net gain on sale of assets of $10.9 million related to the sale of wholly-owned aircraft in 2022.

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 December 31,			Year ended December 31,		
(expressed in thousands of Canadian dollars)	**2023 $**	**2022 $**	**Change $**	**2023 $**	**2022 $**	**Change $**
Cash provided by operating activities	21,143	81,633	(60,490)	299,675	279,512	20,163
Add (Deduct)						
Net changes in non-cash balances related to operations	62,912	(9,772)	72,684	62,055	(28,773)	90,828
Capital expenditures, excluding aircraft acquisitions	(4,340)	(9,766)	5,426	(15,251)	(15,914)	663
Capitalized major maintenance overhauls	(6,080)	(3,017)	(3,063)	(15,776)	(15,974)	198
	73,635	59,078	14,557	330,703	218,851	111,852
Net proceeds on asset sales[1]	720	79,586	(78,866)	720	152,468	(151,748)
Free Cash Flow	**74,355**	**138,664**	**(64,309)**	**331,423**	**371,319**	**(39,896)**

(1) On January 23, 2024, Chorus sold two aircraft held for sale at December 31, 2023, for net proceeds on asset sales of US $21.9 million.

Free Cash Flow decreased compared to the same prior year period due to asset sales offset by increased operating income for the year ended December 31, 2023 due to:

- the Defined Benefit Pension Revenue of $29.9 million;
- a decrease in restructuring ECL provisions and lease repossession costs of $24.6 million;
- a decrease in ECL provisions of $10.3 million related to improved credit ratings on certain lessees;
- an increase in revenue primarily due to four additional months of lease revenue versus the same period last year for Falko, the release of EOL compensation and maintenance reserves of $13.9 million and a higher US dollar exchange rate; and
- an increase in other revenue due to an increase in parts sales and MRO activity offset by a decrease in contract flying; partially offset by
- a reduction in lease revenue related to the sale of wholly-owned aircraft in 2022 of $20.0 million and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 of $10.9 million; and
- a decrease in net gain on sale of assets of $10.9 million related to the sale of wholly-owned aircraft in 2022.

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		
(expressed in thousands of Canadian dollars)	**December 31, 2023 $**	**December 31, 2022 $**	**Change $**
Adjusted net income	98,048	118,842	(20,794)
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(4,753)	(3,027)	(1,726)
Preferred Share dividends declared	(35,426)	(22,902)	(12,524)
Adjusted net income available to Common Shareholders	57,869	92,913	(35,044)

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	1,274,446	979,446	295,000
Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash			
Average Non-controlling interest	(87,718)	(44,425)	(43,293)
Average Preferred Shares	(375,217)	(187,608)	(187,609)
Average Cash	(93,006)	(111,800)	18,794
	718,505	635,613	82,892
Adjusted return on equity	8.1%	14.6%	(6.5)%

During the trailing 12-months ended December 31, 2023, the Adjusted return on equity decreased from the trailing 12-months ended December 31, 2022 to 8.1% 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 December 31, 2023 versus eight months during the trailing 12-months ended December 31, 2022 combined with the impact of the decrease in average cash balances.

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19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Chorus								
Total revenue ($000)	421,452	447,596	396,775	415,252	439,755	421,326	392,343	342,380
Net income (loss) ($000)	36,621	17,148	20,318	32,019	45,852	23,561	(40,403)	22,907
Adjusted net income(1) ($000)	20,208	21,440	25,576	30,824	31,826	41,686	27,587	17,743
Adjusted earnings available to Common Shareholders(1) ($000)	8,825	12,088	15,493	21,463	22,263	31,185	21,722	17,743
Adjusted EBITDA(1) ($000)	116,736	113,126	110,748	118,056	129,542	123,353	104,871	83,280
Earnings (loss) available to Common Shareholders per Common Share, basic ($)	0.13	0.04	0.05	0.11	0.18	0.06	(0.24)	0.13
Earnings (loss) available to Common Shareholders per Common Share, diluted ($)	0.13	0.04	0.05	0.11	0.18	0.06	(0.24)	0.13
Adjusted earnings available to Common Shareholders,(1) per Common Share - basic ($)	0.05	0.06	0.08	0.11	0.11	0.15	0.11	0.10
FTE employees (end of period)	4,536	4,786	4,811	4,804	4,829	4,928	4,783	4,583
Number of aircraft (end of period)	362	364	361	360	357	366	381	233
Average foreign exchange rates (USD-CAD)	1.3624	1.3407	1.3434	1.3518	1.3582	1.3048	1.2758	1.2666
Jazz								
Departures	35,151	39,936	39,807	36,775	40,744	46,070	41,832	30,978
Block Hours	52,698	62,941	62,724	61,661	68,086	76,412	68,837	50,839
Billable Block Hours	53,509	65,032	63,788	65,149	71,727	81,224	72,816	58,444

(1) These are non-GAAP financial measures or non-GAAP ratios 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.

20 SELECTED ANNUAL INFORMATION

The following table provides selected annual information for Chorus for the years 2021 through to 2023.

	Year ended December 31,		
	2023	2022	2021
(expressed in thousands of Canadian dollars, except per Share amounts)	$	$	$
Revenue	1,681,075	1,595,804	1,023,275
Operating income	231,766	188,266	70,979
Net income (loss)	106,106	51,917	(20,485)
Cash	85,985	100,027	123,573
Total assets	3,850,867	4,055,909	3,180,517
Total long-term liabilities	1,767,936	2,054,797	2,038,373
Preferred Share dividends declared	35,426	22,902	—
Cash provided by operating activities	299,675	279,512	184,984
Per Share			
Operating income, basic	1.19	0.97	0.41
Earnings (loss) attributable to Common Shareholders, basic	0.34	0.13	(0.12)
Earnings (loss) attributable to Common Shareholders, diluted	0.33	0.13	(0.12)

2023 Compared to 2022

The 2023 results compared to the 2022 results are discussed throughout the MD&A.

Revenue increased in the RAS segment, excluding the Defined Benefit Pension Revenue of $29.9 million, primarily due to an increase in Controllable Cost Revenue, Pass-Through Revenue and increased other revenue partially offset by the contracted decrease in the Fixed Margin. 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, the release of EOL compensation and maintenance reserves and a higher US dollar exchange rate; partially offset by lower lease revenue related to the sale of wholly-owned aircraft in 2022 and recovered claims in the Virgin Australia and Aeromexico bankruptcies recorded in 2022 and decreased net gain on sale of assets related to the sale of wholly-owned aircraft in 2022.

Operating income increased due to an increase in revenue, decreased lease repossession costs and ECL provisions. partially offset by increased engine overhaul maintenance events, higher salaries, wages and benefits, increased costs related to parts sales, increased Pass-Through Costs, higher impairment provisions, increased depreciation expense related to a change in depreciation estimate on certain aircraft, and the fact that Falko had 12 months of operating expenses versus eight months in 2022.

Net income increased due to the increased operating income as discussed above, unrealized foreign exchange gains due to a change in the foreign exchange rate, gain on fair value of investments and lower interest expense partially offset by higher income tax.

Cash decreased primarily due to the repayment of long-debt debt, payment of Preferred Share dividends, repurchase of Common Shares under the NCIB partially offset by strong cash flows from operations.

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

Total long-term liabilities decreased due to scheduled repayments on long-term borrowings, Series A Debentures and the loans on two aircraft held for sale moving to current liabilities and a change in the foreign exchange rate on long-term debt partially offset by a net draw on the Operating Credit Facility, increased security deposits and maintenance reserves and increased deferred tax liability.

2022 Compared to 2021

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

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

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

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

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

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

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

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21 REVENUE

(expressed in thousands of Canadian dollars)	Three months ended December 31, 2023 $	2022 $	Change $	Change %	Year ended December 31, 2023 $	2022 $	Change $	Change %
Controllable Cost Revenue	226,978	215,809	11,169	5.2	835,991	805,950	30,041	3.7
Pass-Through Revenue	49,093	55,064	(5,971)	(10.8)	214,625	209,611	5,014	2.4
	276,071	270,873	5,198	1.9	1,050,616	1,015,561	35,055	3.5
Fixed Margin	15,820	16,580	(760)	(4.6)	63,280	66,320	(3,040)	(4.6)
Incentive Revenue	491	630	(139)	(22.1)	1,431	2,109	(678)	(32.1)
Aircraft leasing under the CPA	35,572	38,869	(3,297)	(8.5)	148,889	148,993	(104)	(0.1)
Defined Benefit Pension Revenue(1)	—	—	—	—	29,916	—	29,916	100.0
Other(2)(3)	26,467	28,441	(1,974)	(6.9)	104,725	99,749	4,976	5.0
	78,350	84,520	(6,170)	(7.3)	**348,241**	317,171	31,070	9.8
RAS Revenue	**354,421**	**355,393**	**(972)**	**(0.3)**	**1,398,857**	**1,332,732**	**66,125**	**5.0**
Lease revenue	62,585	69,612	(7,027)	(10.1)	265,505	238,997	26,508	11.1
Asset management fees	4,239	6,380	(2,141)	(33.6)	15,959	12,205	3,754	30.8
Net gain on sale of assets	—	8,172	(8,172)	(100.0)	—	10,919	(10,919)	(100.0)
RAL Revenue	**66,824**	**84,164**	**(17,340)**	**(20.6)**	**281,464**	**262,121**	**19,343**	**7.4**
Other(4)	207	198	9	4.5	754	951	(197)	(20.7)
Corporate Revenue	**207**	**198**	**9**	**4.5**	**754**	**951**	**(197)**	**(20.7)**
Total Revenue	**421,452**	**439,755**	**(18,303)**	**(4.2)**	**1,681,075**	**1,595,804**	**85,271**	**5.3**

(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) Excludes intercompany eliminations of $4.7 million and $2.6 million for the three months ended December 31, 2023 and 2022, respectively and $13.1 million and $15.8 million for the year ended December 31, 2023 and 2022, respectively.
(4) Corporate leases space in its head-office building to third parties.

22 RAL RECEIVABLES

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

	As at December 31, 2023	As at December 31, 2022
(in thousands of Canadian dollars)	**Total** **$**	**Total** **$**
Total gross receivables	143,139	141,862
Allowance for ECL	(19,274)	(27,009)
Total net receivables	123,865	114,853
Total gross receivables - US dollars	108,226	104,741
Total net receivables - US dollars	93,653	84,799

23 CONSOLIDATED STATEMENTS OF INCOME

(expressed in thousands of Canadian dollars)	Year ended December 31, 2023 $	2022 $
Operating revenue	1,681,075	1,595,804
Operating expenses		
Salaries, wages and benefits	523,363	500,670
Depreciation, amortization and impairment	238,005	202,613
Aircraft maintenance materials, supplies and services	312,148	289,237
Airport and navigation fees	143,890	166,290
Terminal handling services	22,067	13,597
Other	209,836	235,131
	1,449,309	1,407,538
Operating income	231,766	188,266
Non-operating (expenses) income		
Interest revenue	6,096	4,047
Interest expense	(104,594)	(104,890)
Gain on disposal of property and equipment	13	172
Gain (loss) on fair value of investments	3,555	(133)
Foreign exchange gain (loss)	23,091	(13,612)
	(71,839)	(114,416)
Income before income taxes	159,927	73,850
Income tax (expense) recovery		
Current income tax	(21,295)	(36,178)
Deferred income tax	(32,526)	14,245
	(53,821)	(21,933)
Net income	106,106	51,917
Net income attributable to non-controlling interest	4,753	3,027
Net income attributable to Shareholders	101,353	48,890
Preferred Share dividends declared	(35,426)	(22,902)
Earnings attributable to Common Shareholders	65,927	25,988

24 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".

25 GLOSSARY OF TERMS

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

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

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

"**2021 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;

"**CAD**" means Canadian dollars;

"**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;

“**Defined Benefit Pension Revenue**” means the revenue recognized in 2023 related to the reimbursement of the impact of the new pilot wage scales on the defined benefit pension plan for pilots from Air Canada to be paid over 60 equal monthly payments beginning on December 1, 2023;

“**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;

“**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;

“**Fund I**” means Falko Regional Aircraft Opportunities Fund I;

“**Fund II**” means Falko Regional Aircraft Opportunities Fund II;

“**Fund III**” means Falko Regional Aircraft Opportunities Fund III;

“**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**” means the Series A Debentures, the Series B Debentures and the Series C Debentures”; and

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

26 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes forward-looking information and statements. Forward-looking information and statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including 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 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 ECL 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.