chorus

First Quarter 2024

Unaudited Interim Condensed Consolidated
Financial Statements

Chorus Aviation Inc.

Chorus Aviation Inc.

Unaudited Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at	
	March 31, 2024	**December 31, 2023**
	$	**$**
Assets		
Current assets		
Cash	81,171	85,985
Restricted cash (note 14)	90,615	90,432
Accounts receivable – trade and other (note 15)	209,263	222,279
Inventories (note 6)	123,243	206,533
Prepaid expenses and deposits	22,940	22,334
Current portion of finance lease receivables	1,596	2,278
Income tax receivable	4,406	970
	533,234	630,811
Finance lease receivables	40,091	39,492
Property and equipment (note 6)	2,936,263	2,966,563
Intangibles	13,924	14,600
Goodwill	9,010	8,966
Investments	25,925	24,823
Deferred income tax asset	18,353	18,286
Other long-term assets (note 15)	194,514	147,326
	3,771,314	3,850,867
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities (note 15)	354,756	346,599
Current portion of lease liabilities	2,819	3,309
Current portion of long-term incentive plan	5,725	2,877
Current portion of long-term debt	412,372	430,082
Preferred shares dividend payable	8,892	8,680
Income tax payable	6,851	10,915
	791,415	802,462
Lease liabilities	6,603	7,267
Long-term debt	1,186,790	1,314,922
Deferred income tax liability	210,550	212,919
Other long-term liabilities (note 15)	279,546	232,828
	2,474,904	2,570,398
Equity attributable to shareholders	1,204,734	1,193,884
Equity attributable to non-controlling interest	91,676	86,585
Equity	1,296,410	1,280,469
	3,771,314	3,850,867

Contingencies (note 12)
Economic dependence (note 13)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Chorus Aviation Inc.

Unaudited Consolidated Statements of Changes in Equity

(expressed in thousands of Canadian dollars)

	Equity Attributable to Shareholders							
	Capital $	Deficit $	Exchange differences on foreign operations $	Contributed surplus $	Warrants $	Equity component of convertible units/ debentures $	Equity attributable to non-controlling interest $	Total $
Balance - December 31, 2022	788,698	(702,412)	28,437	1,037,801	24,366	2,683	88,850	1,268,423
Net income for the period	—	31,529	—	—	—	—	490	32,019
Other comprehensive income (loss) for the period (net of tax)	—	2,159	(306)	—	—	—	(64)	1,789
Comprehensive income (loss) for the period	—	33,688	(306)	—	—	—	426	33,808
Preferred share dividends declared	—	(8,871)	—	—	—	—	—	(8,871)
Repurchase of shares under normal course issuer bid	(13,754)	—	—	(8,199)	—	—	—	(21,953)
Share repurchase commitment under the automatic share purchase plan	9,611	—	—	4,925	—	—	—	14,536
Expense related to stock-based compensation plans	—	—	—	98	—	—	—	98
Non-controlling interest:								
Distributions	—	—	—	—	—	—	362	362
Balance - March 31, 2023	784,555	(677,595)	28,131	1,034,625	24,366	2,683	89,638	1,286,403
Net income for the period	—	69,824	—	—	—	—	4,263	74,087
Other comprehensive loss for the period (net of tax)	—	(15,056)	(27,806)	—	—	—	(1,975)	(44,837)
Comprehensive income (loss) for the period	—	54,768	(27,806)	—	—	—	2,288	29,250
Preferred share dividends declared	—	(26,555)	—	—	—	—	—	(26,555)
Repurchase of shares under normal course issuer bid	(2,857)	—	—	(726)	—	—	—	(3,583)
Expense related to stock-based compensation plans	—	—	—	295	—	—	—	295
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(5,341)	(5,341)
Balance - December 31, 2023	781,698	(649,382)	325	1,034,194	24,366	2,683	86,585	1,280,469
Net income for the period	—	8,819	—	—	—	—	3,491	12,310
Other comprehensive (loss) income for the period (net of tax)	—	(7,199)	22,913	—	—	—	2,127	17,841
Comprehensive income for the period	—	1,620	22,913	—	—	—	5,618	30,151
Preferred share dividends declared	—	(8,848)	—	—	—	—	—	(8,848)
Issuance of shares	67	—	—	—	—	—	—	67
Repurchase of shares under normal course issuer bid	(1,971)	—	—	25	—	—	—	(1,946)
Share repurchase commitment under the automatic share purchase plan	(3,133)	—	—	79	—	—	—	(3,054)
Expense related to stock-based compensation plans	—	—	—	98	—	—	—	98
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(527)	(527)
Balance - March 31, 2024	776,661	(656,610)	23,238	1,034,396	24,366	2,683	91,676	1,296,410

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Chorus Aviation Inc.

Unaudited Consolidated Statements of Income

For the three-month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars, except earnings per share)

	Three months ended March 31, 2024	Three months ended March 31, 2023
	$	$
Operating revenue (notes 5 and 13)	426,184	415,252
Operating expenses (note 13)		
Salaries, wages and benefits	133,709	132,117
Depreciation, amortization and impairment	54,380	49,659
Aircraft maintenance materials, supplies and services	96,910	72,100
Airport and navigation fees	33,735	37,081
Terminal handling services	4,834	5,762
Other (note 15)	52,780	56,630
	376,348	353,349
Operating income	49,836	61,903
Non-operating (expenses) income		
Interest revenue	1,944	1,483
Interest expense	(24,398)	(26,941)
Gain on fair value of investments and derivatives (note 11)	3,065	1,892
Foreign exchange (loss) gain	(12,652)	4,031
	(32,041)	(19,535)
Income before income taxes	17,795	42,368
Income tax expense (note 8)		
Current income tax	(5,127)	(3,495)
Deferred income tax	(358)	(6,854)
	(5,485)	(10,349)
Net income	12,310	32,019
Net income attributable to non-controlling interest	3,491	490
Net income attributable to shareholders	8,819	31,529
Preferred share dividends declared (note 9)	(8,848)	(8,871)
(Loss) earnings attributable to common shareholders	(29)	22,658
Earnings attributable to common shareholders, per share, basic (note 10)	0.00	0.11
Earnings attributable to common shareholders, per share, diluted (note 10)	0.00	0.11

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Chorus Aviation Inc.

Unaudited Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Net income	12,310	32,019
Other comprehensive income (loss)		
Items that will not be subsequently reclassified to the statements of income		
Actuarial (loss) income on employee benefit liabilities, net of tax recovery (expense) of $2,614 (2023 - ($1,187))	(7,048)	3,186
Items that will be subsequently reclassified to the statements of income		
Change in fair value of financial assets and liabilities, net of tax recovery of $22 (2023 - $147)	(151)	(1,027)
Exchange differences on translation of foreign operations	25,040	(370)
Comprehensive income	30,151	33,808
Comprehensive income attributable to non-controlling interest	5,618	426
Comprehensive income attributable to shareholders	24,533	33,382

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Chorus Aviation Inc.
Unaudited Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Cash provided by (used in)		
Operating activities		
Net income	12,310	32,019
Charges (credits) to operations not involving cash		
Depreciation, amortization and impairment	54,380	49,659
Amortization of accrued transaction and financing fees	1,060	604
Gain on disposal of property and equipment and assets held for sale	(2,999)	—
Gain on fair value of investments and derivatives	(3,065)	(1,892)
Unrealized foreign exchange loss (gain)	9,465	(5,172)
Realized foreign exchange loss	2,507	3,074
Effect of foreign exchange rate changes on cash	(724)	21
Deferred income tax expense	358	6,854
Other	(1,369)	(5,345)
	71,923	79,822
Net changes in non-cash balances related to operations (note 14)	21,148	(12,569)
	93,071	67,253
Financing activities		
Repayment of lease liabilities	(1,387)	(1,371)
Repayment of long-term borrowings	(134,645)	(83,922)
Operating credit facility	(42,000)	40,000
Repurchase of shares under normal course issuer bid	(1,946)	(21,953)
Preferred dividends	(8,800)	(8,779)
Distribution to non-controlling interests	(527)	362
	(189,305)	(75,663)
Investing activities		
Increase in security deposits and maintenance reserves	7,341	11,237
Additions to property and equipment	(18,354)	(8,902)
Investment in funds	—	(1,613)
Payments received on finance lease receivables	1,101	1,007
Proceeds on return of investments	1,690	—
Proceeds on disposal of property and equipment and assets held for sale	96,008	—
	87,786	1,729
Effect of foreign exchange rate changes on cash	3,817	279
Net change in cash during the periods	(4,631)	(6,402)
Cash and restricted cash (note 14) – Beginning of periods	176,417	167,911
Cash and restricted cash (note 14) – End of periods	171,786	161,509

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

1 General information

Chorus Aviation Inc. is a holding company with various aviation interests incorporated on September 27, 2010, pursuant to the Canada Business Corporations Act (the "CBCA"). Its registered office is located at 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario, M5X 1B8 and its country of domicile is Canada.

The accompanying unaudited interim condensed consolidated financial statements (the "financial statements") are of Chorus Aviation Inc. References to "Chorus" in the following notes to the consolidated financial statements refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries.

Chorus' primary business activities include contract flying, aircraft leasing, managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners as well as maintenance, repair and overhaul services and pilot training.

Contract flying operations are conducted through both its Jazz Aviation LP ("Jazz") and Voyageur Aviation Corp. ("Voyageur") subsidiaries. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to an amended and restated capacity purchase agreement dated January 1, 2015, most recently amended effective January 1, 2021 and previously amended and restated on January 1, 2019 (the "CPA"), under which Air Canada purchases substantially all of Jazz's fleet capacity at pre-determined rates. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on Air Canada (refer to note 13 - Economic dependence for further details). Jazz also operates charter flights for a variety of customers. Voyageur provides specialized contract ACMI (aircraft, crew, maintenance and insurance) flying, such as medical, logistical and humanitarian flights, to international and domestic customers.

Chorus formally launched Cygnet Aviation Academy LP ("Cygnet") on March 28, 2023, 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.

Through its subsidiaries in the Regional Aircraft Leasing ("RAL") segment, Chorus provides aircraft leasing to third-party air operators and asset management services such that it earns lease revenue, asset management fees and incentives for outperforming performance targets. In addition, Chorus makes equity investments in aircraft investment funds managed by Falko and its affiliates, from which it earns co-investment returns. The RAL segment includes Falko, Falko (Ireland) Limited (formerly Chorus Aviation Capital (Ireland) Limited), and their respective affiliates. Chorus rebranded its leasing business from "Chorus Aviation Capital" to "Falko Regional Aircraft".

2 Basis of presentation

These financial statements are in compliance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Chorus' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 3 of Chorus' annual consolidated financial statements for the year ended December 31, 2023. These financial statements should be read in conjunction with Chorus' consolidated financial statements for the year ended December 31, 2023.

These financial statements have been authorized for issuance by Chorus' Board of Directors on May 6, 2024.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

3 Material accounting policies, judgements and estimation uncertainty

Accounting policies

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of Chorus for the year ended December 31, 2023.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles in Canada (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

New accounting standards adopted during the period

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. The adoption of the amendments had no 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. The adoption of the amendments had no impact on the consolidated financial statements.

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. 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 exact impact of the enacted or substantively enacted legislation is not yet known. However, Chorus has recognized and disclosed an estimate of current income tax related to the potential impact of Pillar Two.

There may 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 in applying the legislation.

Accounting standards issued but not yet applied

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.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information

Chorus' reportable operating segments have been identified on the basis of services provided and are consistent with the internal reporting provided to the Chief Executive Officer and Chief Financial Officer.

Chorus has two reportable operating segments:

- The Regional Aviation Services segment includes contract flying, charter operations and maintenance, repair and overhaul services that are carried on by both Jazz and Voyageur, as well as pilot training provided by Cygnet. Aircraft leasing under the CPA is also included in the Regional Aviation Services segment as it is an important part of the CPA. Aircraft leasing under the CPA currently includes 34 Dash 8-400s and 14 CRJ900s as well as five engines which are owned by Chorus.
- The Regional Aircraft Leasing segment leases aircraft to third parties. RAL earns asset management fees for managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners, lease income and incentives related to the fund performance investment targets. RAL's portfolio of wholly or majority-owned and managed aircraft was 214 as at March 31, 2024 (December 31, 2023 - 222).

The accounting policies and practices for each of the segments are the same as those described in note 3 of Chorus' annual consolidated financial statements for the year ended December 31, 2023. All inter-segment and intra-segment revenues are eliminated and all segment revenues presented in the tables below are from external customers.

A significant customer is one that represents 10% or more of each segment revenue earned during the period. For the three months ended March 31, 2024 and March 31, 2023, the Regional Aviation Services segment reported revenue from one significant customer. See note 13 "Economic dependence" for a discussion of transactions between Chorus and Air Canada, and its subsidiary (Air Canada Capital Ltd.). For the three months ended March 31, 2024 and 2023, there were two customers that represented 10% or more of the Regional Aircraft Leasing segment revenue.

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

	For the three months ended March 31, 2024				For the three months ended March 31, 2023			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	$	$	$	$	$	$	$	$
Operating revenue	358,376	67,590	218	426,184	339,428	75,621	203	415,252
Operating expenses	321,864	45,715	8,769	376,348	298,223	47,444	7,682	353,349
Operating income (loss)	36,512	21,875	(8,551)	49,836	41,205	28,177	(7,479)	61,903
Net interest expense	(3,161)	(13,163)	(6,130)	(22,454)	(4,089)	(15,857)	(5,512)	(25,458)
Foreign exchange (loss) gain	(9,020)	(3,103)	(529)	(12,652)	2,878	1,482	(329)	4,031
Gain on fair value of investments and derivatives	—	3,065	—	3,065	—	1,892	—	1,892
Earnings (loss) before income tax	**24,331**	**8,674**	**(15,210)**	**17,795**	**39,994**	**15,694**	**(13,320)**	**42,368**
Income tax (expense) recovery	(7,816)	(1,774)	4,105	(5,485)	(11,513)	(2,432)	3,596	(10,349)
Net income (loss)	**16,515**	**6,900**	**(11,105)**	**12,310**	**28,481**	**13,262**	**(9,724)**	**32,019**
Net income attributable to non-controlling interest	—	3,491	—	3,491	—	490	—	490
Net income (loss) attributable to shareholders	16,515	3,409	(11,105)	8,819	28,481	12,772	(9,724)	31,529

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information (continued)

Chorus evaluates the performance of each reportable segment using a different measure for each segment. Adjusted EBITDA is used to evaluate the Regional Aviation Services segment and Adjusted EBT is used to evaluate the Regional Aircraft Leasing segment. Adjusted EBITDA and Adjusted EBT are non-GAAP financial measures. These non-GAAP financial 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 and should not be considered a substitute for or superior to GAAP results.

Adjusted EBT and Adjusted EBITDA should not be used as exclusive measures of cash flow because these measures do not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements.

Adjusted EBITDA refers to earnings before net interest expense, income taxes, depreciation and amortization, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provisions, defined benefit pension revenue, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains or losses. Adjusted EBT refers to earnings before income tax, employee separation program costs, strategic advisory fees, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, defined benefit pension revenue and other items such as foreign exchange gains and losses.

The following table reconciles operating income to Adjusted EBITDA and earnings before income tax to Adjusted EBT:

	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
	Regional Aviation Services $	Regional Aircraft Leasing $	Regional Aviation Services $	Regional Aircraft Leasing $
Operating income - as reported above	**36,512**	**—**	**41,205**	**—**
Depreciation and amortization excluding impairment(1)	25,874	—	22,378	—
Employee separation program(1)	7	—	290	—
Adjusted EBITDA(2)	**62,393**	**—**	**63,873**	**—**
Income before income tax	—	**8,674**	—	**15,694**
Unrealized foreign exchange loss (gain)	—	2,307	—	(1,585)
Lease repossession costs(1)(3)	—	2,660	—	4,303
Adjusted EBT(2)	**—**	**13,641**	**—**	**18,412**

(1) Included in operating expenses.
(2) These are non-GAAP financial measures.
(3) Lease repossession costs are net of security packages realized.

Selected assets and liability information by reportable operating segment and corporate:

	As at March 31, 2024				As at December 31, 2023			
	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Additions to property and equipment	18,299	40	15	18,354	42,149	876	138	43,163
Property and equipment	1,067,276	1,861,538	7,449	2,936,263	1,076,962	1,882,021	7,580	2,966,563
Long-term debt (excluding lease liabilities)	386,820	908,327	304,015	1,599,162	400,631	982,874	361,499	1,745,004

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information (continued)

Revenue from external customers by country, based on where the customer carries on business:

	Three months ended March 31,			
	2024		2023	
	$	%	$	%
Canada	359,627	84.4%	340,692	82.0%
Other(1)	66,557	15.6%	74,560	18.0%
	426,184	100.0%	415,252	100.0%

Property and equipment by country based on where the customer carries on business:

	As at March 31, 2024		As at December 31, 2023	
	$	%	$	%
Canada	1,101,100	37.5%	1,110,774	37.4%
Other(1)	1,835,163	62.5%	1,855,789	62.6%
	2,936,263	100.0%	2,966,563	100.0%

(1) There are no countries included in other that represent more than 10% of revenue or total assets (2023 - nil).

5 Revenue from contracts with customers

Revenue

Chorus earns revenue from contracts with customers in addition to aircraft leasing.

	Three months ended March 31,	
	2024	2023
	$	$
Revenue from contracts with customers		
Controllable cost revenue	228,307	197,247
Fixed margin(1)	15,320	15,820
CPA pass-through revenue	51,566	56,953
Other	31,270	32,450
	326,463	302,470
Lease revenue	99,721	112,782
	426,184	415,252

(1) Jazz earned a fixed margin based on the number of covered aircraft operated by Jazz under the CPA. The fixed margin does not vary based on flight activity.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

6 Property and equipment

During the three months ended March 31, 2024, Chorus reclassified flight equipment with a net book value of $2,538 (2023 - $nil) from property and equipment to inventory on the statement of financial position.

During the three months ended March 31, 2024, Chorus sold one aircraft and two engines to a third party for gross proceeds of $8,663. The net book value of the aircraft removed from property and equipment was $7,754 less costs to sell generating a gain on disposal of $909 which was recorded in revenue.

On January 18, 2024, an aircraft was damaged beyond economic repair as a result of an airport incident. During the three months ended March 31, 2024, Chorus disposed of this aircraft from property and equipment with a net book value of $24,057 and recognized a lease termination payment owed from the lessee of $25,837, generating a gain of $1,780 which was recorded in revenue.

During the three months ended March 31, 2024 Chorus sold two held for sale A220-300's, classified as inventory, on lease with airBaltic for gross proceeds of $87,345. The carrying value of the aircraft held for sale was $87,035 less costs to sell, generating a gain of $310 which was recorded in revenue. In addition, Chorus repaid the long-term debt of $58,008 related to these aircraft.

7 Credit facilities

Operating credit facility

On March 4, 2024, Chorus amended the terms of the $150,000 operating credit facility to extend the maturity date to January 27, 2027.

As at March 31, 2024, Chorus had drawn $45,000 on the facility and had also provided letters of credit totaling $8,862 that reduce the amount available under this facility.

As at March 31, 2024, Chorus was in compliance with all covenants under all of its credit facilities.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

8 Income taxes

The effective income tax rate on Chorus' earnings before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is as follows:

	Three months ended March 31,	
	2024	**2023**
	$	**$**
Income before income tax	17,795	42,368
Income tax expense at the Canadian statutory tax rate(1)	4,716	11,228
Recognition of previously unrecognized cumulative eligible capital	(1,167)	(1,259)
Net impact of capital items(2)	2,577	(317)
Impact of the Canadian statutory tax rate on entities with other tax rates	(2,060)	(780)
Non-deductible expenses	(305)	735
Other	868	742
Allowance against deferred tax assets	705	—
Impact of base erosion and profit shifting Pillar II	151	—
Income tax expense	5,485	10,349
Effective tax rate	30.8%	24.4%

(1) Chorus has modified the presentation of the tax rate reconciliation to calculate the tax impact of the statutory rate based on the Canadian average rate as opposed to an average blended rate of all jurisdictions. The impact of rate differentials from foreign jurisdictions is shown as a separate reconciling line item. Chorus uses an average Canadian statutory tax rate of 26.5%.

(2) The impact of capital items is mainly related to the foreign exchange fluctuations on the long-term debt associated with the aircraft. The impact of the non-deductible portion of any unrealized loss (gain) is recognized in the calculation of income tax expense at the end of each period. To the extent that a loss is recorded for accounting purposes, the benefit of the deductible portion of the capital loss is recognized only to the extent that it is probable that the loss will be utilized. Income tax expense related to unrealized foreign exchange gains recorded in a period is reduced by previously unrecognized income tax assets related to unrealized foreign exchange losses. Chorus does not have a plan in place to utilize the deductible portion of the balance of the foreign exchange losses, accordingly no deferred tax asset has been recognized related to the foreign exchange losses.

In addition to the tax deductible amounts recognized as deferred tax assets in the financial statements, Chorus has other tax deductible amounts of approximately $242,155 as at March 31, 2024, related to capital cost allowance on eligible capital property. In accordance with the initial recognition exemption, as outlined in IAS 12 *Income taxes*, the benefit of these deductible expenditures cannot be recognized in the financial statements until such time as those benefits can be applied to reduce current tax expense. During the three months ended March 31, 2024 and March 31, 2023, Chorus utilized a total of $4,313 ($1,167 tax effected) and $4,638 ($1,259 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

9 Dividends

During the three months ended March 31, 2024, Chorus declared $8,848 in preferred share dividends ($8,871 for the three months ended March 31, 2023).

During the three months ended March 31, 2024, Chorus paid $8,800 in preferred share dividends ($8,779 for the three months ended March 31, 2023). The preferred share dividend payable on the statement of financial position has been converted to Canadian currency at 1.3550 which was the exchange rate in effect at closing on March 31, 2024. Preferred share dividends recorded in equity are converted to Canadian currency at the foreign exchange rate in effect on the day of the transaction.

10 Capital stock

a) Common shares

Authorized:

An unlimited number of Class A variable voting shares, no par value (“Variable Voting Shares”); and

An unlimited number of Class B voting shares, no par value (“Voting Shares”)

Issued and outstanding:

	Number of Shares	$
Shares issued and outstanding December 31, 2022	**201,332,016**	**413,481**
Shares repurchased and cancelled	(7,904,479)	(16,611)
Share repurchase commitment under the automatic share purchase plan	—	9,611
Shares issued and outstanding December 31, 2023	**193,427,537**	**406,481**
Shares issued through long-term incentive plan	31,917	67
Shares repurchased and cancelled	(938,216)	(1,971)
Share repurchase commitment under the automatic share purchase plan	—	(3,133)
Shares issued and outstanding March 31, 2024	**192,521,238**	**401,444**

On November 8, 2023, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a normal course issuer bid (“NCIB”) to purchase up to 15,160,372 common shares during the period November 14, 2023 to no later than November 13, 2024. For the three months ended March 31, 2024, Chorus purchased and cancelled 938,216 common shares, respectively, under the NCIB for total consideration of $1,946. Common share capital was reduced by a net amount of $1,971 and the remaining $25 was accounted for as an increase of contributed surplus. For the three months ended March 31, 2023, Chorus purchased and cancelled 6,544,937 common shares under the NCIB for total consideration of $21,953. The net reduction to equity, after applying the accounts payable accrual at December 31, 2022 of $14,536, was $7,417. Common share capital was reduced by a net amount of $4,143 and the remaining $3,274 was accounted for as a reduction of contributed surplus.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

10 Capital stock (continued)

On November 9, 2022, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a NCIB to purchase up to 15,928,236 common shares during the period November 14, 2022 to no later than November 13, 2023. For the year ended December 31, 2023, Chorus purchased and cancelled 7,458,812 common shares under its NCIB for total consideration of $24,536. The net reduction to equity, after applying the accounts payable accrual at December 31, 2022 of $14,536, was $10,000. Common share capital was reduced by a net amount of $6,063 and the remaining $3,937 was accounted for as a reduction of contributed surplus.

In connection with the NCIB, Chorus has established an automatic securities purchase plan (the "Plan") with a designated broker to allow for the purchase of common shares. Chorus' designated broker may purchase common shares under the Plan 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. The Plan will terminate when the NCIB terminates, unless terminated earlier in accordance with the terms of the Plan. Chorus may vary, suspend or terminate the Plan only if it does not have material non-public information, and the decision to vary, suspend or terminate the Plan is not taken during a pre-determined trading blackout period. The Plan constitutes an "automatic plan" for purposes of applicable Canadian securities legislation and has been reviewed by the TSX. Chorus recorded a liability for purchases that are estimated to occur during blackout periods based on the parameters of the NCIB and the Plan. As at March 31, 2024, a maximum obligation to purchase $3,054 (December 31, 2023 - $nil) of common shares was recognized under the Plan in accounts payable and accrued liabilities on the consolidated statements of financial position. At March 31, 2024 common share capital was reduced by $3,133 and the remaining $79 was accounted for as an increase of contributed surplus.

b) Warrants

	Number of warrants	$
Outstanding, December 31, 2022	18,642,772	24,366
Outstanding, December 31, 2023	18,642,772	24,366
Outstanding, March 31, 2024	18,642,772	24,366

As at March 31, 2024, Chorus had the following warrants outstanding:

Number of warrants	Exercise Price(1)	Expiry Date
18,642,772	4.60	May 3, 2029

(1) Subject to adjustment in accordance with the terms of the relevant warrant indenture.

c) Preferred shares

Authorized:

Chorus has authorized up to 80,750,000 preferred shares issuable in series, with the designation, rights, privileges, restrictions and conditions attaching thereto determined, subject to any limitations set out in Chorus articles, by the directors of Chorus.

Issued and outstanding:

	Number of Shares	$
Shares issued and outstanding December 31, 2022	300,000	375,217
Shares issued and outstanding December 31, 2023	300,000	375,217
Shares issued and outstanding March 31, 2024	300,000	375,217

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

10 Capital stock (continued)

d) Earnings per share

The following table provides a breakdown of the numerator and denominator used in the calculation of earnings per common share and diluted earnings per common share.

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Numerator		
Net income	12,310	32,019
Less:		
Net income attributable to non-controlling interest	(3,491)	(490)
Preferred share dividends declared	(8,848)	(8,871)
(Loss) earnings attributable to common shareholders	(29)	22,658
Denominator		
Weighted average number of shares	193,300,443	198,595,714
Weighted average dilutive shares in respect of stock-based compensation plans	3,248,972	4,523,338
Weighted average number of diluted shares	196,549,415	203,119,052

For the three months ended March 31, 2024, the calculation of the diluted earnings per share excluded 3,248,972 shares related to stock-based compensation as they were anti-dilutive.

11 Financial instruments and fair values

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, notes 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, notes 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.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

The following shows the fair value of other financial assets and liabilities compared to carrying value:

	As at March 31, 2024			As at December 31, 2023		
	Fair value	Carrying value	Deferred financing fees(1)	Fair value	Carrying value	Deferred financing fees(1)
	$	$	$	$	$	$
Finance lease receivables(2)	35,044	41,687	—	35,088	41,770	—
Investments						
Third party(3)	461	461	—	449	449	—
Fund investment(3)	25,464	25,464	—	24,374	24,374	—
Other long-term assets						
Defined benefit pension receivable(2)	22,887	22,963	—	24,377	24,377	—
Interest rate swaps(4)	1,205	1,205	—	1,967	1,967	—
Long-term notes receivable(4)	59,527	59,527	—	—	—	—
Long-term debt						
Amortizing term loans(5)	1,006,180	1,060,775	3,797	1,089,848	1,148,582	4,680
Asset-backed securitization(5)	234,926	242,169	—	236,916	243,604	—
Series A Debentures(6)	83,663	86,250	661	84,525	86,250	874
Series B Debentures(6)	70,978	71,174	1,399	66,345	71,038	1,538
Series C Debentures(6)	71,400	85,000	2,287	71,825	85,000	2,443
Operating credit facility(7)	45,000	45,000	—	87,000	87,000	—
Unsecured credit facility(7)	17,014	16,938	—	33,005	33,065	—
Other long-term liabilities						
Total return swap(4)	1,199	1,199	—	4,391	4,391	—

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

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

Financial risk factors

Chorus, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, equity price risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Interest rate risk

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, as at March 31, 2024, 92.6% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 7.4% 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.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

As at March 31, 2024, Chorus had seven (December 31, 2023 - seven) interest rate swap agreements with notional amounts totaling $116,391 (December 31, 2023 - $115,587). The fair value of interest rate swaps was as follows:

	As at March 31, 2024 $	As at December 31, 2023 $
Other long-term assets		
Interest rate swaps	1,205	1,967

Chorus recorded the following losses on the interest rate swaps:

	Three months ended March 31,	
	2024 $	2023 $
Other comprehensive loss		
Change in fair value of financial assets and liabilities, net of tax recovery of $22 (2023 - $147)	151	1,027
Income statement		
Loss on ineffective interest rate swap	638	123

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 March 31, 2024, Chorus had six loans which totaled $74,516 and four derivative agreements which referenced notional amounts totaling $16,408 that will be impacted by the transition from synthetic USD LIBOR to alternative reference rates. Chorus is in the process of implementing a planned transition to alternative reference rates and does not anticipate any material impacts on its financial results as a result of this transition.

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous considering all relevant factors, including credit margin, term and basis. The risk management objective is to minimize potential for changes in interest rates to cause adverse changes in cash flows to Chorus.

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.

Credit risk

Credit risk arises from cash, restricted cash, deposits, as well as credit exposure to customers, including outstanding receivables. Chorus manages the credit risk on cash by ensuring that the counter-parties are governments, banks and corporations with high credit-ratings assigned by international credit-rating agencies. In accordance with its investment policy, Chorus invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes, term deposits of Schedule 1 Banks and Schedule 2 Banks rated R-1 high, and commercial paper rated R-1 high.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

The maximum exposure to credit risk for cash, restricted cash, deposits, trade and other receivables and long-term lease deferral receivables approximate the amount recorded on the statement of financial position, with the exception of lease receivables related to operating leases.

Chorus has entered into lease deferral arrangements with certain of its lessees in the RAL segment which will reduce Chorus' cash flow over the period of deferrals. In connection with the rent relief arrangements, certain of which include lease term extensions, the repayment of the deferred amounts typically coincide with the lease term extensions.

Chorus participated in the Azul S.A. ("Azul") restructuring which was finalized on February 29, 2024. The transaction includes the settlement of certain accounts receivable with a carrying value of $30,310 ("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 received new notes on February 29, 2024 with a carrying value of $76,150 ("New Notes"), inclusive of deferred revenue of $45,840 related to lease modifications, from Azul which are due at various dates beginning in March 2024 and ending in October 2027. The New Notes have been recognized at fair value after considering the 12 vesting dates. In addition, certain of the New Notes may be settled, at Azul's option, in cash or through the issuance of Azul's publicly listed preferred shares in 12 quarterly instalments beginning January 1, 2025. No material gain or loss was recognized on the exchange of the Existing AR for the New Notes.

The preferred shares are ascribed a notional issuance price of 36 Brazilian reais ("R$") per share ("Issuance Price"). To the extent the actual share price of Azul on the relevant Issuance Date is below the Issuance Price, additional preferred shares will be issued to Chorus, such that the value of the preferred shares received will equal the amount required to repay the amount owed. To the extent the actual share price of Azul on the relevant Vesting Date is above the Issuance Price, Chorus' upside is capped at 10% above Issuance Price.

These deferral arrangements could also increase Chorus' receivable risk due to the weakened financial state of its lessees. In addition, Chorus' liquidity could be put under stress where entities in the RAL segment are required to service principal and interest payments under its loans during the term of the deferral arrangements. The risks associated with the payment of deferred and future rent payments could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects. At March 31, 2024, the RAL segment had total receivables of $170,550 (December 31, 2023 - $143,139).

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

	As at March 31, 2024			As at December 31, 2023		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	$	$	$	$	$	$
Trade receivables	15,689	15,148	30,837	16,655	30,055	46,710
Deferred rent receivable	—	2,492	2,492	—	18,850	18,850
Notes receivable(1)	—	17,538	17,538	—	—	—
Air Canada trade receivable	118,887	—	118,887	149,144	—	149,144
Subtotal	134,576	35,178	169,754	165,799	48,905	214,704
Allowance for expected credit loss ("ECL")	(315)	(2,587)	(2,902)	(315)	(6,323)	(6,638)
Net trade receivables	134,261	32,591	166,852	165,484	42,582	208,066
Accrued straight-line rent receivable(2)(3)	—	1,199	1,199	—	5,819	5,819
Long-term accrued straight-line rent receivable(2)(4)	—	17,867	17,867	—	25,256	25,256
Long-term receivables(4)(5)	27,212	56,779	83,991	29,579	63,159	92,738
Long-term notes receivable(4)(6)	—	59,527	59,527	—	—	—
Subtotal	161,473	167,963	329,436	195,063	136,816	331,879
Long-term allowance for ECL	—	(9,467)	(9,467)	—	(12,951)	(12,951)
Total net receivables	161,473	158,496	319,969	195,063	123,865	318,928
Total gross receivables	161,788	170,550	332,338	195,378	143,139	338,517

(1) Notes receivable related to the Azul restructuring, which are repayable in equal monthly instalments over the remainder of 2024.
(2) These receivables were assessed under IAS 36 for impairment.
(3) Included in prepaid expenses and deposits.
(4) Included in other long-term assets.
(5) Long-term receivables (excluding defined benefit pension receivable) were assessed for ECL allowance under IFRS 9.
(6) The long-term notes receivable were recognized at fair value as part of the Azul restructuring. The receivable includes deferred revenue (note 15).

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

Chorus has no financial assets past due, except for trade receivables. At March 31, 2024, the total amount of net trade receivables was $166,852 (December 31, 2023 - $208,066), inclusive of allowance for ECL of $2,902 (December 31, 2023 - $6,638) which has been estimated by management based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant judgements were made in determining these factors.

At March 31, 2024, the breakdown of past-due trade receivables were as follows:

	March 31, 2024 $	December 31, 2023 $
Past due		
60 - 90 days	3,343	4,430
Over 90 days	18,182	22,640
	21,525	27,070

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 Chorus' common share price affecting settlement under its various stock-based compensation programs with a total return swap. The current swap is for 7.25 million common shares priced at $2.18 per common share and matures in March 2025. Chorus does not apply hedge accounting to the total return swap and as such, gains and losses arising from changes in its fair value are recognized in operating income in the period in which they arise. For additional information, please refer to notes 3(j) and 3(k) - Material accounting policies of the audited consolidated financial statements of Chorus for the year ended December 31, 2023.

Chorus recorded losses on the total return swap as follows:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Income statement		
Loss on total return swap	3,908	466

Liquidity risk

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 March 31, 2024, Chorus had $81,171 in cash and $126,138 of available room on its operating credit facility and one of its bi-lateral credit facilities, inclusive of letters of credit totaling $8,862 that reduce the amount available under the operating credit facility. The operating credit facility is subject to a borrowing base calculation. (As of December 31, 2023 - $85,985 in cash and $84,266 of available room on its operating credit facility and one of its bi-lateral credit facilities, inclusive of letters of credit totaling $8,734).

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

12 Contingencies

As permitted by the CBCA, the by-laws of Chorus provide that each director or officer will be entitled to indemnification from Chorus in respect of any civil, criminal or administrative, investigative or other proceeding which the director or officer is involved because of his or her association with Chorus or any other entity (if applicable) in respect of which he or she serves in a similar capacity at the request of Chorus, provided that the director or officer acted honestly and in good faith with a view to the best interests of Chorus, or in the case of a criminal or administrative action proceeding that is enforced by a monetary penalty, where the director or officer had reasonable grounds for believing that his or her conduct was lawful. The directors and officers are also covered by indemnification agreements and directors' and officers' liability insurance. The aggregate of all amounts recorded in these financial statements with respect to such indemnifications is not material.

Various lawsuits and claims that have arisen in the normal course of business are pending by and against Chorus. The provisions, if any, that have been recorded are not material. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or the results of Chorus.

Chorus enters into various operating agreements and real estate licenses or leases, which in some cases permit Chorus to use certain premises or operate at certain airports, and which in other cases lease space in Chorus' facilities to its tenants. It is common in such commercial license or lease transactions for the licensee or tenant to agree to indemnify the landlord for tort liabilities that arise out of or relate to its use or occupancy of the licensed or leased 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 wilful misconduct. In addition, the licensee or tenant typically indemnifies the landlord for any environmental liability that arises out of or relates to its use or occupancy of the leased or licensed premises.

In aircraft, engine and other equipment ("Equipment") financing or leasing agreements, Chorus typically indemnifies the financiers and/or lessors, directors acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the Equipment and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, but generally excluding any liabilities caused by their gross negligence or wilful misconduct. In addition, in certain equipment financing or leasing transactions, Chorus typically provides indemnities in respect of certain tax consequences.

When Chorus enters into other types of leases and technical service agreements with service providers, primarily service providers who operate an airline as their main business, Chorus has from time to time agreed to indemnify the other party against liabilities that arise from third party claims, whether or not these liabilities arise out of or relate to the negligence of the other party, but generally excluding liabilities that arise from the other party's gross negligence or wilful misconduct.

Chorus cannot reasonably estimate the potential amount, if any, it could be required to pay under such indemnifications. Such amount would also depend on the outcome of future events and conditions, which cannot be predicted. Historically, Chorus has not made any significant payments under these indemnifications.

Chorus expects it would be covered by insurance for most tort liabilities and certain related contractual indemnifications.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

13 Economic dependence

The transactions between Air Canada, and its subsidiary (Air Canada Capital Ltd.), and Chorus are summarized in the table below:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Operating revenue	331,821	311,312
Operating expenses	558	570

The following current balances with Air Canada and its subsidiary (Air Canada Capital Ltd.) are included in the financial statements:

	March 31, 2024 $	December 31, 2023 $
Accounts receivable	118,887	149,144
Finance lease receivables	174	924
Contract asset	16,569	17,101
Accrued Air Canada receivable - Deferred lease inducements, prepaid aircraft rent and related fees	2,288	2,237
Other long-term receivables(1)	27,212	29,579
Accounts payable and accrued liabilities	1,699	1,784

(1) Includes $22,963 (December 31, 2023 - $24,377) defined benefit pension receivable, including interest accretion, relating 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. The accounts receivable are being repaid in 60 equal monthly payments with the final payment due on November 1, 2028. In accordance with IFRS Accounting Standards, the associated impact of the wage scale pension assumption change in the pension liability was charged to other comprehensive income.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

14 Statement of cash flows - supplementary information

a) Net changes in non-cash balances related to operations:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Decrease in accounts receivable – trade and other	28,926	32,260
Increase in inventories	(912)	(1,765)
Increase in prepaid expenses	(5,423)	(2,663)
(Increase) decrease in income tax receivable	(3,436)	1,106
Decrease in other long-term assets	1,846	7,347
Increase (decrease) in accounts payable and accrued liabilities	9,377	(36,703)
Increase in current portion long-term incentive plan	2,848	852
Decrease in income tax payable	(4,133)	(8,105)
Decrease in other long-term liabilities	(7,945)	(4,898)
	21,148	(12,569)

The above table excludes non-cash foreign currency adjustments.

b) Other

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Cash payments of interest	18,817	24,702
Cash receipts of interest	752	929
Cash payments of tax	12,660	10,513

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

14 Statement of cash flows - supplementary information (continued)

c) Reconciliation between the opening and closing balances for liabilities from financing activities

	Amortizing term loans(1)	Series A Debentures	Series B Debentures	Series C Debentures	Credit facilities(2)	Total long-term debt	Lease liabilities
	$	$	$	$	$	$	$
Balance - December 31, 2023	1,387,506	85,376	69,500	82,557	120,065	1,745,004	10,576
Long-term borrowings, net of financing costs	—	—	—	—	—	—	—
Repayment of long-term borrowings	(117,834)	—	—	—	(58,811)	(176,645)	—
Repayment of lease liabilities	—	—	—	—	—	—	(1,387)
Total financing cash flow activities	(117,834)	—	—	—	(58,811)	(176,645)	(1,387)
New lease liabilities	—	—	—	—	—	—	97
Interest expense	938	213	275	156	—	1,582	—
Deferred financing fee amortization	943	—	—	—	—	943	—
Unrealized foreign exchange loss	7,030	—	—	—	752	7,782	39
Realized foreign exchange loss (gain)	2,716	—	—	—	(68)	2,648	—
Foreign currency adjustments	17,848	—	—	—	—	17,848	97
Total financing non-cash activities	29,475	213	275	156	684	30,803	233
Balance - March 31, 2024	1,299,147	85,589	69,775	82,713	61,938	1,599,162	9,422

(1) Includes amortizing term loans and asset-backed securitization.
(2) Includes the operating credit facility and the unsecured credit facility.

d) Restricted cash

Cash encumbered in support of issued letters of credit and leasing arrangements have been classified as restricted cash and shown separately in the consolidated statement of financial position (March 31, 2024 - $90,615; December 31, 2023 - $90,432).

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

15 Additional information

a) Assets

	As at	
	March 31, 2024 $	December 31, 2023 $
Accounts receivable		
Trade receivables	33,329	65,560
Allowance for ECL	(2,902)	(6,638)
Notes receivable (note 11)	17,538	—
Commodity taxes	10,388	10,030
Other receivables	32,023	4,183
	90,376	73,135
Trade amounts due from Air Canada and its subsidiary (refer to note 13 - Economic dependence)	118,887	149,144
	209,263	222,279
Other long-term assets		
Accrued Air Canada receivable - Deferred lease inducements, prepaid aircraft rent and related fees	2,288	2,237
Accrued defined pension benefit asset	6,600	6,496
Accrued transaction fees, net of accumulated amortization	4,537	4,677
Contract asset	16,569	17,101
Fair value of interest rate swaps	1,205	1,967
Long-term receivables	83,991	92,738
Long-term accrued straight line rent	17,867	25,256
Long-term allowance for ECL	(9,467)	(12,951)
Long-term notes receivable(1) (note 11)	59,527	—
Other	11,397	9,805
	194,514	147,326

(1) The long-term notes receivable were initially recognized at fair value as part of the Azul restructuring.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

15 Additional information (continued)

b) Liabilities

	As at March 31, 2024 $	As at December 31, 2023 $
Accounts payable, accrued liabilities and other liabilities		
Trade payables and accrued liabilities	299,119	286,282
Deferred revenue[1] (note 11)	27,303	9,994
Security deposits and maintenance reserves	3,107	24,151
Commodity taxes	23,528	24,388
	353,057	344,815
Trade payables and accrued liabilities due to Air Canada and its subsidiary (refer to note 13 - Economic dependence)	1,699	1,784
	354,756	346,599

(1) Includes $17,112 recognized as part of the Azul restructuring.

	As at March 31, 2024 $	As at December 31, 2023 $
Other long-term liabilities		
Accrued other future employee benefits liability	25,917	26,012
Accrued defined pension benefit liability	12,451	1,653
Long-term incentive plan	6,483	11,659
DSU liability	2,028	2,311
Deferred revenue[1] (note 11)	26,885	—
Security deposits and maintenance reserves	202,145	184,136
Total return swap	1,199	4,391
Other	2,438	2,666
	279,546	232,828

(1) Recognized as part of the Azul restructuring.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

15 Additional information (continued)

c) Other expenses

	Three months ended March 31, 2024 $	2023 $
Other expenses		
Travel, training and uniforms	22,779	26,598
Lease repossession costs	2,660	4,303
ECL	(472)	2,655
Other	27,813	23,074
	52,780	56,630