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First Quarter 2024

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

Chorus Aviation Inc.

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INTRODUCTION

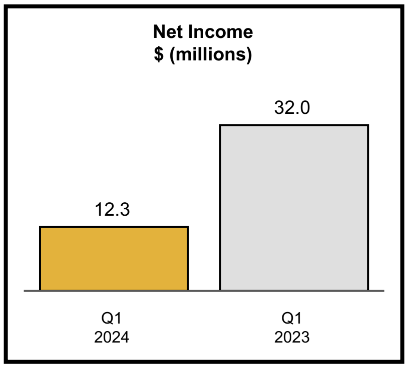
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries, including partnerships in which the Corporation holds a majority of the equity interests. Where this MD&A discusses the CPA, references to Chorus are exclusively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

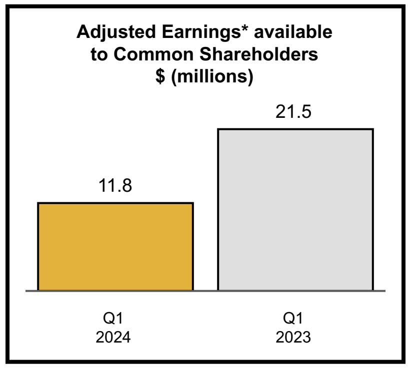
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus for the three months ended March 31, 2024, the audited consolidated financial statements of Chorus for the year ended December 31, 2023, Chorus' MD&A dated February 22, 2024 in respect of the year ended December 31, 2023, and Chorus' Annual Information Form dated February 22, 2024 in respect of the year ended December 31, 2023. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of May 6, 2024.

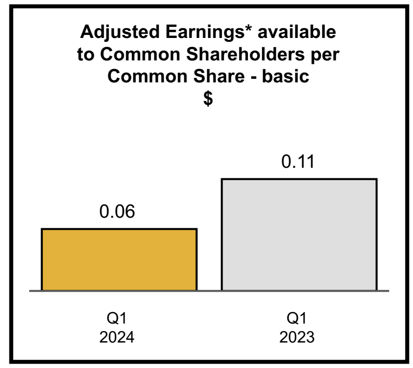
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

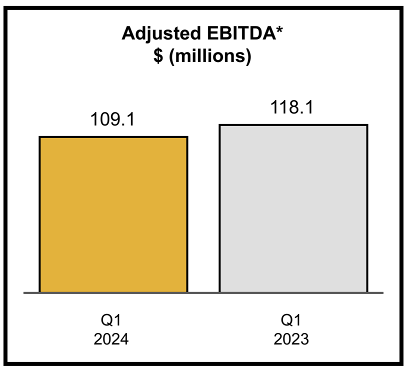
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

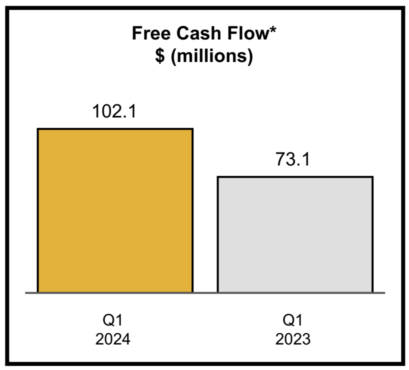
1 OVERVIEW

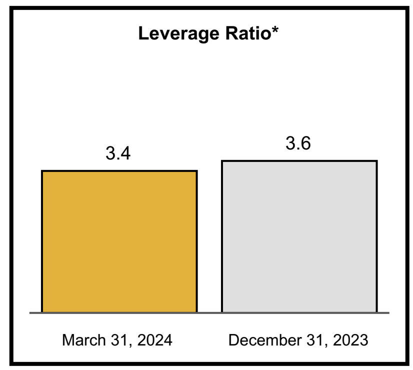












* These are non-GAAP financial measures or non-GAAP ratios that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute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

Q1 2024 Financial Highlights:

- Net income of $12.3 million, compared to $32.0 million for Q1 2023.
- Adjusted Earnings available to Common Shareholders of $11.8 million, compared to $21.5 million for Q1 2023.
- Adjusted Earnings available to Common Shareholders of $0.06 per Common Share, basic, compared to $0.11 for Q1 2023.
- Adjusted EBITDA of $109.1 million, compared to $118.1 million for Q1 2023.
- Free Cash Flow of $102.1 million, compared to $73.1 million for Q1 2023.
- Leverage Ratio improved to 3.4 at March 31, 2024 from 3.6 at December 31, 2023.

Highlights:

- Generated strong Free Cash Flow of $102.1 million for the period ended March 31, 2024 primarily derived from operating cash flows and net proceeds of $38.0 million related to the sale of two A220-300s, one ATR72-500 and two engines.

- Deleveraged the balance sheet improving the Leverage Ratio from 3.6 at December 31, 2023 to 3.4 at March 31, 2024 primarily through long-term debt repayments of $134.6 million since December 31, 2023.
- Purchased and cancelled 938,216 Common Shares under the current NCIB during the quarter at a weighted average price of $2.06 per Common Share (refer to Section 8 - Capital Structure).
- Voyageur purchased one King Air 350 in the first quarter of 2024 and delivered it to the Canadian Department of National Defence ("**DND**") under a lease and maintenance agreement. This is in addition to Voyageur's existing DND contract for in-service-support of the manned airborne intelligence surveillance and reconnaissance ("**MAISR**") program.
- Falko executed a sale and purchase agreement with Nordic Aviation Capital to acquire a portfolio of 24 Embraer aircraft on behalf of Fund II.

First Quarter Summary

In the first quarter of 2024, Chorus reported Adjusted EBITDA of $109.1 million, a decrease of $9.0 million compared to the first quarter of 2023.

The RAL segment's Adjusted EBITDA was $55.0 million, a decrease of $6.6 million compared to the first quarter of 2023 primarily due to:

- a decrease in lease revenue of $9.9 million primarily due to lower market lease rates on re-leased aircraft, lower maintenance reserve releases and the sale of aircraft in 2024; and
- increased general administrative expense; partially offset by
- a decrease in expected credit loss ("**ECL**") provisions of $3.1 million due to improved credit ratings on certain lessees; and
- an increase in the net gain on sale of assets of $3.0 million.

The RAS segment's Adjusted EBITDA was $62.4 million, a decrease of $1.5 million compared to the first quarter of 2023 primarily due to:

- a decrease in aircraft leasing revenue under the CPA of $4.5 million primarily due to a change in lease rates on certain aircraft; and
- a decrease in other revenue of $1.6 million primarily due to Voyageur's decreased revenue in parts sales, contract flying and MRO activity; partially offset by
- an improvement in the Controllable Cost Guardrail of $2.0 million; and
- an increase in capitalization of major maintenance overhauls on owned aircraft of $1.9 million.

Corporate Adjusted EBITDA was $(8.4) million compared to $(7.4) million in the first quarter of 2023 primarily due to an increase in stock-based compensation of $1.2 million due to the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk) offset by a decrease in the Common Share price.

Adjusted Net Income was $24.1 million for the quarter, a decrease of $6.7 million compared to the first quarter of 2023 primarily due to:

- a $9.0 million decrease in Adjusted EBITDA as previously described;
- an increase in depreciation expense of $4.7 million primarily attributable to a change in depreciation estimates on certain aircraft and capital expenditures; and
- a negative change in foreign exchange of $2.0 million; partially offset by
- a decrease of $5.1 million in income tax expense;

- a decrease in net interest costs of $3.0 million; and
- a positive change in the fair value on investments and derivatives of $0.9 million.

Net income decreased $19.7 million compared to the first quarter of 2023 primarily due to:

- the previously noted decrease in Adjusted Net Income of $6.7 million; and
- a negative change in net unrealized foreign exchange of $14.6 million; partially offset by
- a decrease in lease repossession costs of $1.6 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 Series A Debentures, the Series B Debentures, the Series C Debentures, the Unsecured Credit Facility and the Operating Credit Facility, and 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, CRJ, Embraer, Diamond DA-20/40/42, and Beechcraft King Air aircraft products. Voyageur also focuses on aircraft disassembly and aircraft parts provisioning to customers globally.

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

Jazz earns margin under the CPA in three ways:

1. *Fixed Margin*

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

2. *Performance Incentives*

Jazz has the opportunity to earn Performance Incentives under the CPA for achieving certain performance targets in relation to controllable on-time performance, controllable flight completion, customers arriving with luggage and customer service.

3. *Aircraft leasing under the CPA*

Jazz earns aircraft leasing revenue under the CPA from the following owned assets: 34 Dash 8-400s, 14 CRJ900s, and five spare engines.

Jazz bills for Controllable Costs (which are offset by Controllable Cost Revenue) and Pass-Through Costs (which are offset by Pass-Through Revenue) as follows:

a) *Controllable Cost Revenue*

   Jazz and Air Canada negotiate rates ("**Controllable Cost Revenue**") for the Controllable Costs Jazz expects to incur which are estimated based on certain variables to operate Air Canada Express services under the CPA. Jazz's exposure to variances between the Controllable Cost Revenue Jazz receives from Air Canada to cover annually negotiated Controllable Costs, and Jazz's actual Controllable Costs incurred in performing its services for Air Canada is limited to $2.0 million annually (referred to as the "**Controllable Cost Guardrail**").

b) *Pass-Through Revenue*

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

   Pass-Through Costs includes operational expenses that are reimbursed by Air Canada such as airport and navigation fees, and certain aircraft maintenance, materials and supplies. Jazz does not incur fuel or food and beverage costs related to CPA flying, as these are charged directly to Air Canada.

Aircraft fleet under the CPA

From January 1, 2021 through December 31, 2025, the minimum number of Covered Aircraft is set at 105. From January 1, 2026 through December 31, 2035, Air Canada will determine the composition of the Covered Aircraft fleet on the condition that the fleet must have a minimum of 80 aircraft with 75-78 seats (refer to Section 25 - Caution Regarding Forward-Looking Information).

2) **Regional Aircraft Leasing**: Falko is an asset manager and lessor of regional aircraft assets. Its asset management business comprises the management of aircraft investment funds on behalf of financial investors as well as the provision of lease servicer capabilities to owners of regional aircraft. Its leasing business consists of wholly or majority-owned aircraft, in addition to the Managed Aircraft (refer to Section 5 - Fleet). RAL earns income as follows:

   a) Earnings from Managed Aircraft

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

ii) 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 a range of flying operations, including special mission services, maintenance, repair and overhaul modifications, parts sales, and aircraft leasing and asset management. These capabilities differentiate Chorus from its competition.

The RAS segment generates strong and predictable earnings primarily from long-term contracts.

The RAL segment includes the Falko asset management platform and equity interests in aircraft owned or managed by Falko (refer to Section 2 - About Chorus).

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 earn asset management fees and incentives from this managed capital. In addition, Chorus intends to make co-investments in Falko’s funds to demonstrate alignment with fund investors and generate earnings for Chorus. In particular, Chorus’ strategy for its leasing business is to:

1) Transition to a less capital intensive approach to growing the regional aircraft leasing business;
2) Generate 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.

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 25 - Caution Regarding Forward-Looking Information).

Chorus' forecast for the year ending December 31, 2024 has been updated from the fourth quarter 2023 forecast due to i) an expected increase in the foreign exchange rate from 1.3200 to 1.3400; ii) reflect actual maintenance reserve releases in the first quarter of 2024 of $3.1 million and iii) additional anticipated aircraft sales. The revised forecast improved as follows:

Chorus Consolidated

(unaudited) *(in thousands of Canadian dollars)*	**2024 Annual Forecast(1)** **$**		
Adjusted EBITDA(2)(3)	360,000	to	410,000
Free Cash Flow(2)(3)	300,000	to	350,000
Leverage Ratio(2)(3)(4)	3.1	to	3.5

(1) The forecast uses a foreign exchange rate of 1.3400 for 2024 to translate USD to CAD.
(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) 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.
(4) 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.

	Annual Forecast(1)		
(unaudited) *(in thousands of Canadian dollars)*	**2024** **$**	**2025** **$**	**2026(2)** **$**
Fixed Margin	60,900	59,600	43,900
Aircraft leasing under the CPA			
Revenue	130,000	113,000	93,000
Payment on long-term debt and interest	95,000	74,000	66,000
Total Fixed Margin and Aircraft leasing under the CPA less payment on long-term debt and interest	95,900	98,600	70,900
Wholly-owned aircraft leased under the CPA (end of period)	48	39	39
Wholly-owned aircraft leased under the CPA available for re-lease (end of period)	nil	9	9

(1) The forecast uses a foreign exchange rate of 1.3400 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.

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RAL

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

(unaudited) *(in thousands of Canadian dollars)*	**Annual 2024 Forecast[1]** **$**		
Operating revenue[2]	220,000	to	240,000
Depreciation and amortization excluding impairment[3]	102,000	to	112,000
Net interest expense[3]	49,000	to	53,000
Gain on the fair value of Fund II investment[4]	5,000	to	10,000
Gross proceeds on asset sales[2]	150,000	to	200,000
Net proceeds on asset sales[2]	60,000	to	80,000

(1) The forecast uses a foreign exchange rate of 1.3400 for 2024 to translate USD to CAD.
(2) The forecast reflects: a) the expected sale of nine CRJ900 engines; b) the sale of two A220-300's; c) additional anticipated aircraft sales; and d) 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 beyond first quarter actual 2024.
(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 existing investment 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 March 31, 2024, Ravelin Holdings LP held an interest in 38 aircraft with a net book value of US $374.5 million and secured debt of US $182.8 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

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 US $22.4 million at February 29, 2024 ("**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 US $56.2 million ("**New Notes**"), inclusive of deferred revenue of US $33.8 million related to lease modifications, from Azul which are due at various dates beginning in March 2024 and ending in October 2027. 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.

RAL's gross receivable, excluding long-term New Notes, primarily related to rent relief arrangements, may decrease from the March 31, 2024 balance of US $81.9 million to between US $60.0 million and US $65.0 million by the end of 2024 based on management's current repayment expectations (refer to Section 21 - RAL Receivables).

RAL's gross receivable exposure is partially mitigated by security packages held of approximately US $18.0 million (December 31, 2023 - US $20.4 million).

(unaudited) *(in thousands of US dollars)*	**As at** **March 31, 2024** **$**	 **December 31, 2023** **$**
RAL gross receivable, excluding New Notes	68,992	108,226
Short-term New Notes[1]	12,943	—
	81,935	108,226
Long-term New Notes[1]	43,931	—
	125,866	108,226
Deferred revenue - Azul restructuring	(32,470)	—
	93,396	108,226

(1) New Notes include US $12.9 million which are repayable in equal monthly instalments over the remainder of 2024 and US $43.9 million which may be settled, at Azul's option, in cash or by the issuance of Azul's publicly listed preferred shares in 12 quarterly instalments beginning January 1, 2025.

Capital Expenditures

Capital expenditures in 2024 are expected to be as follows:

(unaudited) *(in thousands of Canadian dollars)*	**Annual Forecast 2024** **$**		
Capital expenditures, excluding aircraft acquisitions	11,000	to	16,000
Capitalized major maintenance overhauls[1]	11,000	to	16,000
Aircraft acquisitions and improvements	17,500	to	22,500
	39,500	to	54,500

(1) The 2024 plan includes between $7.0 million to $11.0 million of costs that are expected to be included in Controllable Costs.

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5 FLEET

As of March 31, 2024, 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	120
Managed Aircraft[(2)(3)]	Falko	RAL	94
RAL segment total[(3)]			214
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft lease portfolio subtotal			262
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			**354**

(1) FIL owns 60 of the 120 wholly or majority-owned aircraft as of March 31, 2024.
(2) Chorus has a minority ownership interest in 65 aircraft and no ownership interest in 29 aircraft.
(3) RAL's total number of aircraft decreased from the fourth quarter of 2023 due to the disposal of one aircraft which was damaged beyond economic repair (RAL recognized a lease termination payment owed from the lessee) and the sale of three wholly or majority-owned aircraft and four Managed Aircraft.
(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 March 31, 2024:

			Total Owned Aircraft
Customer	**Aircraft Type**	**Ownership %**	**#**
Aeromexico	E190	100.00%	3
Air Austral S.A.[(1)]	ATR72-500	67.45%	1
Air Canada	CRJ200	100.00%	7
Air Nostrum	CRJ1000	100.00%	4
airBaltic[(1)]	A220-300	100.00%	3
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[(2)]	Dash 8-400	100.00%	4
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[(3)(4)]	Dash 8-400	100.00%	7
			120

(1) Falko sold two A220-300s on lease with airBaltic and one ATR72-500 on lease with Air Austral S.A during the first quarter of 2024.
(2) Falko disposed of one aircraft damaged beyond economic repair.
(3) Falko had seven off-lease aircraft as of March 31, 2024.
(4) Falko repossessed two Dash 8-400s. Chorus recorded aircraft impairments, ECL provisions and lease repossession charges related to these aircraft in 2023.

The following table provides the total number of Managed Aircraft in the RAL segment as at March 31, 2024:

Customer	Aircraft Type	#	Ownership %
Air Canada	CRJ900	4	3.85%
Airlink	E170	4	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%
Skytrans	Dash 8-100	2	3.85%
US Bangla	ATR72-600	1	3.85%
Off-lease	E190	2	3.85%
Financial institutions	27 ATRs; 2 Dash 8-400	29	nil
		94	

Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at March 31, 2024:

	#	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
King Air 350(2)	1	1
Dash 8-100	3	3
Dash 8-300	9	9
Dash 8-400	1	1
Total Voyageur Aircraft	23	23
Non-Operational Aircraft		
Dash 8-100	1	1
Dash 8-300(3)	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) Voyageur's fleet increased in the first quarter of 2024 due to the purchase of one King Air 350.
(3) Voyageur moved one Dash 8-300 to inventory for part-out during the quarter.

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6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. 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 March 31,			
(unaudited) *(expressed in thousands of Canadian dollars)*	**2024** $	**2023** $	**Change** $	**Change** %
Operating revenue	426,184	415,252	10,932	2.6
Operating expenses	376,348	353,349	22,999	6.5
Operating income	49,836	61,903	(12,067)	(19.5)
Net interest expense	(22,454)	(25,458)	3,004	(11.8)
Foreign exchange (loss) gain	(12,652)	4,031	(16,683)	(413.9)
Gain on fair value of investments and derivatives(1)	3,065	1,892	1,173	62.0
Income before income tax	17,795	42,368	(24,573)	(58.0)
Income tax expense	(5,485)	(10,349)	4,864	(47.0)
Net income	12,310	32,019	(19,709)	(61.6)
Net income attributable to non-controlling interest	3,491	490	3,001	612.4
Net income attributable to Shareholders	8,819	31,529	(22,710)	(72.0)
Preferred Share dividends declared	(8,848)	(8,871)	23	(0.3)
(Loss) earnings attributable to Common Shareholders	(29)	22,658	(22,687)	(100.1)
Adjusted EBITDA(2)	109,061	118,056	(8,995)	(7.6)
Adjusted EBT(2)	29,927	41,789	(11,862)	(28.4)
Adjusted Net Income(2)	24,107	30,824	(6,717)	(21.8)

(1) Includes fair value of the New Notes received pursuant to the Azul Restructuring.
(2) These are non-GAAP financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

Three months ended March 31, 2024

For the three months ended March 31, 2024, consolidated operating revenue increased 2.6%, compared to the same period last year. Increased revenue in the RAS segment was primarily attributable to an increase in Controllable Cost Revenue partially offset by decreased Pass-Through Revenue, decreased other revenue and the contracted decrease in the Fixed Margin. Decreased revenue in the RAL segment was primarily attributable to lower market lease rates on re-leased aircraft, lower maintenance reserves released and the sale of aircraft in 2024 partially offset by increased net gain on sale of assets.

Operating expenses increased 6.5% for the three months ended March 31, 2024 compared to the same period last year primarily due to increased engine overhaul maintenance events, increased depreciation expense related to a change in depreciation estimate on certain aircraft and increased stock-based compensation; partially offset by decreased ECL provisions, decreased lease repossession costs and decreased Pass-Through Costs.

Net interest expense decreased 11.8% for the three months ended March 31, 2024 compared to the same period last year primarily due to lower average debt balances resulting from payments on long-term debt.

Foreign exchange losses increased for the three months ended March 31, 2024 compared to foreign exchange gains in the same period last year primarily related to an increase in foreign exchange losses on long-term debt, intercompany loans and working capital. The March 31, 2024 closing exchange rate for USD to CAD was 1.3550 compared to 1.3226 at December 31, 2023. The March 31, 2023 closing exchange rate for USD to CAD was 1.3533 compared to 1.3544 at December 31, 2022.

Gain on fair value of investments and derivatives increased for the three months ended March 31, 2024 compared to the same period last year related to Fund II and the New Notes received pursuant to the Azul Restructuring (refer to Section 4 - Outlook).

Income tax expense decreased for the three months ended March 31, 2024 compared to the same period last year primarily due to the decrease in EBT, adjusted to remove non-taxable unrealized foreign exchange losses and certain non-deductible expenses.

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7 SEGMENTED ANALYSIS

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

(unaudited) (in thousands of Canadian dollars)	For the three months ended 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[1]	—	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
Operating income (loss)	36,512	21,875	(8,551)	49,836	41,205	28,177	(7,479)	61,903
Depreciation and amortization excluding impairment[2]	25,874	28,330	176	54,380	22,378	27,214	67	49,659
Lease repossession costs[2]	—	2,660	—	2,660	—	4,303	—	4,303
Gain on fund investments	—	2,178	—	2,178	—	1,901	—	1,901
Employee separation program[2]	7	—	—	7	290	—	—	290
Adjusted EBITDA[3]	**62,393**	**55,043**	**(8,375)**	**109,061**	**63,873**	**61,595**	**(7,412)**	**118,056**
Earnings (loss) before income tax	24,331	8,674	(15,210)	17,795	39,994	15,694	(13,320)	42,368
Lease repossession costs[2]	—	2,660	—	2,660	—	4,303	—	4,303
Unrealized foreign exchange loss (gain)	7,045	2,307	113	9,465	(3,830)	(1,585)	243	(5,172)
Employee separation program[2]	7	—	—	7	290	—	—	290
Adjusted EBT[3]	**31,383**	**13,641**	**(15,097)**	**29,927**	**36,454**	**18,412**	**(13,077)**	**41,789**

(1) Includes fair value of the New Notes received pursuant to the Azul Restructuring.
(2) Included in operating expenses.
(3) These are non-GAAP financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

Regional Aviation Services Analysis

Operating Income

The RAS segment reported quarterly operating income of $36.5 million, a decrease of $4.7 million compared to the same period last year.

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

- a decrease in aircraft leasing revenue under the CPA of $4.5 million primarily due to a change in lease rates on certain aircraft;
- an increase in depreciation expense of $3.5 million primarily attributable to a change in depreciation estimates on certain aircraft and capital expenditures;
- a decrease in other revenue of $1.6 million primarily due to Voyageur’s decreased revenue in parts sales, contract flying and MRO activity; and
- a contracted decrease in Fixed Margin of $0.5 million; partially offset by
- an improvement in the Controllable Cost Guardrail of $2.0 million; and
- an increase in capitalization of major maintenance overhauls on owned aircraft of $1.9 million.

Non-Operating Expenses

Foreign exchange produced a loss for the three months ended March 31, 2024 compared to a foreign exchange gain in the same period last year. The change is primarily unrealized and relates to USD loans and also includes foreign exchange on working capital. The March 31, 2024 closing exchange rate for USD to CAD was 1.3550 compared to 1.3226 at December 31, 2023. The March 31, 2023 closing exchange rate for USD to CAD was 1.3533 compared to 1.3544 at December 31, 2022.

Adjusted EBITDA

Adjusted EBITDA decreased $1.5 million for the three months ended March 31, 2024 compared to the same period last year due to changes described above for operating income excluding depreciation expense.

<u>Portfolio of Aircraft Leasing under the CPA</u>

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $839.2 million
- Approximately US $470.0 million in future contracted lease revenue[1,2]
- Current weighted average fleet age of 7.8 years[3]
- Current weighted average remaining lease term of 6.1 years[3]
- 100% of debt has a fixed rate of interest
- Current weighted average cost of borrowing of 3.33%

1 Refer to Section 25 - Caution Regarding Forward-Looking Information.
2 The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA.
3 Fleet age and remaining lease term is calculated based on the weighted-average of the aircraft net book value.

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Regional Aircraft Leasing Analysis

Operating Income

The RAL segment reported an operating income of $21.9 million for the three months ended March 31, 2024, a decrease of $6.3 million compared to the same period in 2023.

The quarter-over-quarter results were impacted by:

- a decrease in lease revenue of $9.9 million primarily due to lower market lease rates on re-leased aircraft, lower maintenance reserve releases and the sale of aircraft in 2024;
- an increase in general administrative expense;
- an increase in depreciation expense of $1.1 million primarily related to a change in depreciation estimate on certain aircraft; and
- a decrease in asset management fees of $1.1 million; partially offset by
- a decrease in ECL provisions of $3.1 million related to improved credit ratings on certain lessees;
- an increase in net gain on sale of assets of $3.0 million; and
- a decrease in lease repossession costs of $1.6 million.

Non-Operating Expenses

Net interest expense decreased for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to lower average debt balances resulting from payments on long-term debt.

Gain on fair value of investments and derivatives increased for the three months ended March 31, 2024 compared to the same period last year related to Fund II and the New Notes received pursuant to the Azul Restructuring (refer to Section 4 - Outlook).

Adjusted EBT

Adjusted EBT decreased by $4.8 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to a decrease in lease revenue, a decrease in asset management fees and increased depreciation expense, an increase in general administrative expense offset by a decrease in ECL provisions, a decrease in lease repossession costs and an increase in net gain on sale of assets.

Portfolio

Fleet *(as at March 31, 2024)*

- Fleet of 120 wholly or majority-owned aircraft
- Approximately US $645.0 million in future contracted lease revenue[1]
- RAL collected approximately 95.5% of lease revenue billed in the first quarter of 2024
- Current net book value of approximately US $1.4 billion
- Current weighted average remaining lease term of 3.9 years[2]
- The RAL segment has limited net exposure to changes in interest rates because 89.2% of its debt has fixed interest rates (inclusive of floating rate debt that is fixed through the use of swaps)
- Current weighted average cost of borrowing of 5.03%

1 Refer to Section 25 - Caution Regarding Forward-Looking Information.
2 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 25 - Caution Regarding Forward-Looking Information).

Chorus maintains flexibility in its capital structure by regularly reviewing forecasts, multi-year business plans, and making any required changes to its debt and equity on a proactive basis. These changes can include issuing or repurchasing equity, issuing new secured or unsecured debt, modifying the term of existing debt facilities or repaying existing debt from cash or proceeds from the sale of surplus assets.

Chorus' capital structure was as follows as at March 31, 2024 and December 31, 2023.

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2024** **$**	**December 31 2023** **$**	**Change** **$**
Equity			
Capital	776,661	781,698	(5,037)
Contributed surplus	1,034,396	1,034,194	202
Deficit	(656,610)	(649,382)	(7,228)
Exchange differences on foreign operations	23,238	325	22,913
Equity component of convertible debentures	2,683	2,683	—
Warrants	24,366	24,366	—
	1,204,734	1,193,884	10,850
Long-term debt	1,599,162	1,745,004	(145,842)
Lease liabilities	9,422	10,576	(1,154)
Total capital	2,813,318	2,949,464	(136,146)

As at April 29, 2024 and December 31, 2023, the issued and outstanding shares of Chorus were as follows:

(unaudited)	**April 29, 2024**	**December 31, 2023**
Total issued and outstanding Common Shares	192,521,238	193,427,537
Common Shares potentially issuable Stock-based compensation plans	6,422,699	6,817,882
Total outstanding and potentially dilutive Common Shares	198,943,937	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.

During the three months ended March 31, 2024, the Corporation purchased and cancelled 938,216 Common Shares under the NCIB at a weighted average price of $2.06 per Common Share. Since the start of the current NCIB on November 14, 2023, the Corporation has purchased and cancelled 1,383,883 Common Shares at a weighted average price of $2.11. There can be no assurance as to how many Common Shares, if any, will be acquired by Chorus pursuant to the NCIB.

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 at a weighted average price of $3.25 per Common Share.

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, 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.

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Long-term debt

Long-term debt consists of the following:

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2024** **$**	**December 31, 2023** **$**
Secured long-term debt and credit facilities(1)		
Amortizing term loans		
Secured by aircraft	990,592	1,075,129
Secured by engines	2,810	3,082
Warehouse credit facility	63,359	66,357
Nova Scotia Jobs Fund loan - secured by office building	4,000	4,000
Asset-backed securitization	247,683	249,907
Operating Credit Facility	45,000	87,000
	1,353,444	1,485,475
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	16,938	33,065
	1,614,132	1,762,290
Less:		
Deferred financing fees	(8,144)	(9,535)
Accretion discount on amortizing term loans and asset-backed securitization	(5,500)	(6,289)
Accretion discount on convertible debentures	(1,326)	(1,462)
	1,599,162	1,745,004
Less: Current portion(2)	412,372	430,082
	1,186,790	1,314,922

(1) The majority of long-term debt is payable in USD and has been converted to CAD at 1.3550 which was the exchange rate in effect at closing on March 31, 2024 (December 31, 2023 - 1.3226).

(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.0 million and interest accretion of $3.6 million, respectively for the period ended March 31, 2024 (December 31, 2023 - $1.2 million and $3.5 million, respectively). In addition, the current portion includes the Series A Debentures.

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 4.48%, maturing between May 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 seven 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 4.15%, 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 9.44%, 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 5.53%.

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 38 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 March 31, 2024, 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.

Chorus intends to redeem these Debentures by December 31, 2024 with proceeds from the secured $50.0 million with The Bank of Nova Scotia (see "Bi-Lateral Credit Facilities" below) and cash flow from operations.

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

Operating Credit Facility

On March 4, 2024, Chorus amended the terms of its existing $150.0 million Operating Credit Facility to extend the maturity date to January 27, 2027.

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 Overnight Repo Rate Average ("**CORRA**") plus a credit spread adjustment 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 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 bore 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 March 31, 2024, 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 was fully repaid in April 2024. This facility bore interest at SOFR plus 5.00%.

Total scheduled principal payments on long-term debt on March 31, 2024, excluding unamortized deferred financing fees and interest accretion, are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	$
No later than one year	416,950
Later than one year and no later than five years	1,022,881
Later than five years	174,301
	1,614,132

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 March 31, 2024, Chorus' largest lender held approximately 46% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes approximately 2% under the Unsecured Credit Facility, FIL's subsidiaries owe approximately 46% under aircraft loans, and the Jazz Group owes approximately 52% 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 March 31, 2024, 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 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.

As at March 31, 2024, Chorus had seven (December 31, 2023 - seven) interest rate swap agreements with notional amounts totaling $116.4 million (December 31, 2023 - $115.6 million). The fair value of interest rate swaps was as follows:

	As at	
(unaudited) *(in thousands of Canadian dollars)*	**March 31, 2024** **$**	**December 31, 2023** **$**
Other long-term assets		
Interest rate swaps	1,205	1,967

Chorus recorded the following losses on the interest rate swaps:

(unaudited) (in thousands of Canadian dollars)	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 $74.5 million and four derivative agreements which referenced notional amounts totaling $16.4 million 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 (refer to Section 25 - Caution Regarding Forward-Looking Information).

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

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

Foreign Exchange Rate Risk

Chorus receives revenue and incurs expenses in US dollars, Canadian dollars and Euros. Chorus manages its economic exposure to currency risk in the RAS segment by billing for its services within the CPA with Air Canada in the underlying currency related to the expenditure and matching the currency of debt for leased aircraft with the currency of the related lease rents.

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

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

The amount of US dollar denominated financial assets was $82.6 million and US denominated financial liabilities was $385.6 million at March 31, 2024. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $3.0 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 $2.18 per Common Share and matures in March 2025. 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 losses on the Total Return Swap as follows:

	Three months ended March 31,	
(unaudited) *(in thousands of Canadian dollars)*	**2024** **$**	**2023** **$**
Income statement		
Loss on Total Return Swap	3,908	466

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 March 31, 2024, Chorus’ liquidity was $207.3 million including cash of $81.2 million and $126.1 million of available credit under its Operating Credit Facility and one of the Bi-Lateral Credit Facilities for $30.0 million. Liquidity increased from the fourth quarter of 2023 by $37.0 million as the first quarter liquidity included net proceeds from asset sales of $38.0 million.

During the quarter, Chorus generated cash flow from operations of $93.1 million. Other key changes during the quarter which decreased cash were as follows:

- Debt repayments of $134.6 million (includes the repayment of $58.0 million related to the sale of two aircraft);
- Operating Credit Facility net repayment of $42.0 million;
- Capital expenditures of $18.4 million; and
- Payment of Preferred Share dividends of $8.8 million; partially offset by
- Gross proceeds on asset sales of $96.0 million;
- Reduction in working capital of $21.1 million primarily due to a decrease in the accounts receivable from Air Canada; and
- An increase in security deposits and maintenance reserves of $7.3 million.

At March 31, 2024, the Controllable Cost Guardrail balance is a payable of $1.9 million.

Working Capital

Chorus' working capital is typically not a good measure of its liquidity due to the fact that current liabilities include the current portion of long-term debt, whereas current assets do not include the current portion of the long-term aircraft operating lease receivables as aircraft lease revenue is recorded as it is earned on a monthly basis.

Chorus' working capital deficit as reflected on the March 31, 2024 balance sheet was $258.2 million (December 31, 2023 - $171.7 million). The current portion of contracted aircraft operating lease receivables as at March 31, 2024 is estimated to be approximately $340.8 million converted to CAD at the March 31, 2024 rate of 1.3550. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately $82.6 million. (Refer to Section 25 - Caution Regarding Forward-Looking Information.) The working capital deficit increased primarily due to the sale of two aircraft in the first quarter of 2024 that were previously classified as current assets at December 31, 2023.

Leverage

Chorus' Leverage Ratio improved to 3.4 at March 31, 2024 from 3.6 at December 31, 2023 as a result of repayments of long-term borrowings; partially offset by a decrease in the trailing 12-months Adjusted EBITDA of $9.0 million. (Refer to Section 18 - Non-GAAP Financial Measures.)

Cash Flows

The following table provides information on Chorus' cash flows for the three months ended March 31, 2024 and March 31, 2023.

	Three months ended March 31,	
(unaudited) *(expressed in thousands of Canadian dollars)*	**2024** **$**	**2023** **$**
Cash provided by operating activities	93,071	67,253
Cash used in financing activities	(189,305)	(75,663)
Cash provided by investing activities	87,786	1,729
Cash flow from operating, financing and investing activities	(8,448)	(6,681)
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 – Beginning of periods	176,417	167,911
Cash and restricted cash – End of periods	171,786	161,509

Cash provided by operating activities

Chorus had cash inflows from operating activities of $93.1 million for the three months ended March 31, 2024, compared to $67.3 million for the three months ended March 31, 2023. The increase was primarily attributable to a reduction in working capital of $21.1 million primarily due to a decrease in the accounts receivable from Air Canada.

Cash used in financing activities

Cash used in financing activities for the three months ended March 31, 2024 was $189.3 million, comprised primarily of payments on long-term borrowings of $134.6 million (includes the repayment of $58.0 million related to the sale of two aircraft), net payments on the Operating Credit Facility of $42.0 million; payment of dividends on the Preferred Shares of $8.8 million, repurchase of Common Shares under the NCIB of $1.9 million and distributions to non-controlling interests of $0.5 million.

Cash used in financing activities for the three months ended March 31, 2023 was $75.7 million, comprised primarily of payments on long-term borrowings of $83.9 million, repurchase of Common Shares under the NCIB of $22.0 million and payment of dividends on the Preferred Shares of $8.8 million; partially offset by a draw on the Operating Credit Facility of $40.0 million.

Cash provided by investing activities

Cash provided by investing activities for the three months ended March 31, 2024 was $87.8 million, which includes proceeds on asset sales of $96.0 million, increased security deposits and maintenance reserves of $7.3 million related to leased aircraft and proceeds on return of investments of $1.7 million; partially offset by capital expenditures of $18.4 million for the purchase of one aircraft and 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 March 31, 2023 was $1.7 million, which included increased security deposits and maintenance reserves of $11.2 million related to leased aircraft; offset by capital expenditures of $8.9 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and a fund investment of $1.6 million.

Capital expenditures

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

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31,		
	2024 **$**	**2023** **$**	**Change** **$**
Capital expenditures, excluding aircraft acquisitions	3,037	3,161	(124)
Capitalized major maintenance overhauls	4,768	3,599	1,169
Aircraft acquisitions and improvements	10,549	2,142	8,407
Total capital expenditures	18,354	8,902	9,452

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.

For the three months ended March 31, 2024, the Corporation declared and paid $8.8 million in Preferred Share dividends ($8.9 million declared and $8.8 million paid for the three months ended March 31, 2023).

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 25 - 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.

13 CHANGES IN ACCOUNTING STANDARDS

The material accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the year ended December 31, 2023 except for the following:

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.

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus’ off-balance sheet arrangements is disclosed in Section 9 of Chorus’ annual MD&A dated February 22, 2024. There have been no material changes to Chorus’ off-balance sheet arrangements from what was disclosed at that time.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, 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. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

	As at March 31, 2024			As at December 31, 2023		
(unaudited) *(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]	35,044	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.

16 RELATED PARTY TRANSACTIONS

As at March 31, 2024, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements or transaction that are otherwise not material.

17 CONTROLS AND PROCEDURES

Chorus' disclosure controls and procedures ("**DC&P**") have been designed to provide reasonable assurance that the relevant information is recorded, processed, summarized and reported to its President and Chief Executive Officer ("**CEO**"), its Chief Financial Officer ("**CFO**") and its Disclosure Policy committee in a timely basis to ensure appropriate and timely decisions are made regarding public disclosure.

The internal controls over financial reporting ("**ICFR**") have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In Chorus' filings for the year ended December 31, 2023, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and operational effectiveness of both the DC&P and the ICFR.

Chorus' filings for the three months ended March 31. 2024, the CEO and CFO also certified, as required by National Instrument 52-109, the appropriateness of the financial disclosures, the design of both the DC&P and the ICFR based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

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

There has been no change in Chorus' internal control over financial reporting that occurred during the first quarter of 2024 that has materially affected Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A and the unaudited interim condensed consolidated financial statements of Chorus for March 31, 2024 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

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 25 - Caution Regarding Forward-Looking Information).

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.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2024 $	2023 $	Change $
Net income	**12,310**	**32,019**	**(19,709)**
Add (Deduct) items to get to Adjusted Net Income			
Employee separation program[(1)]	7	290	(283)
Lease repossession costs[(1)]	2,660	4,303	(1,643)
Unrealized foreign exchange loss (gain)	9,465	(5,172)	14,637
Tax recovery on adjusted items	(335)	(616)	281
	11,797	(1,195)	12,992
Adjusted Net Income	**24,107**	**30,824**	**(6,717)**
Add (Deduct) items to get to Adjusted EBT			
Income tax expense	5,485	10,349	(4,864)
Tax recovery on adjusted items	335	616	(281)
Adjusted EBT	**29,927**	**41,789**	**(11,862)**
Add (Deduct) items to get to Adjusted EBITDA			
Net interest expense	22,454	25,458	(3,004)
Depreciation and amortization excluding impairment	54,380	49,659	4,721
Foreign exchange loss	3,187	1,141	2,046
(Gain) loss on fair value of investments and derivatives[(2)]	(887)	9	(896)
	79,134	76,267	2,867
Adjusted EBITDA	**109,061**	**118,056**	**(8,995)**

(1) Included in operating expenses.
(2) Includes fair value of the New Notes received pursuant to the Azul Restructuring.

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.

(unaudited) *(expressed in thousands of Canadian dollars, except per Share amounts)*	Three months ended March 31, 2024 $	 2023 $	 Change $
Adjusted Net Income	**24,107**	**30,824**	**(6,717)**
Add (Deduct) items to get to Adjusted Earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(3,491)	(490)	(3,001)
Preferred Share dividends declared	(8,848)	(8,871)	23
Adjusted Earnings available to Common Shareholders	**11,768**	**21,463**	**(9,695)**
Adjusted Earnings available to Common Shareholders per Common Share - basic	**0.06**	**0.11**	**(0.05)**

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

(unaudited) *(expressed in thousands of Canadian dollars)*	March 31, 2024 $	December 31, 2023 $	Change $
Long-term debt and lease liabilities (including current portion)	1,608,584	1,755,580	(146,996)
Less:			
Cash	(81,171)	(85,985)	4,814
Net debt	1,527,413	1,669,595	(142,182)
Adjusted EBITDA	449,671	458,666	(8,995)
Leverage Ratio	3.4	3.6	(0.2)

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 March 31,		
(unaudited) *(expressed in thousands of Canadian dollars)*	**2024** **$**	**2023** **$**	**Change** **$**
Cash provided by operating activities	93,071	67,253	25,818
Add (Deduct)			
Net changes in non-cash balances related to operations	(21,148)	12,569	(33,717)
Capital expenditures, excluding aircraft acquisitions	(3,037)	(3,161)	124
Capitalized major maintenance overhauls	(4,768)	(3,599)	(1,169)
	64,118	73,062	(8,944)
Net proceeds on asset sales	38,001	—	38,001
Free Cash Flow	**102,119**	**73,062**	**29,057**

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Adjusted Return on Equity

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

	Trailing 12-months ended		
(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2024** **$**	**December 31, 2023** **$**	**Change** **$**
Adjusted Net Income	91,331	98,048	(6,717)
Add (Deduct) items to get to Adjusted Earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(7,754)	(4,753)	(3,001)
Preferred Share dividends declared	(35,403)	(35,426)	23
Adjusted Net Income available to Common Shareholders	48,174	57,869	(9,695)

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	1,291,407	1,274,446	16,961
Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash			
Average Non-controlling interest	(90,657)	(87,718)	(2,939)
Average Preferred Shares	(375,217)	(375,217)	—
Average Cash	(84,709)	(93,006)	8,297
	740,824	718,505	22,319
Adjusted Return on Equity	6.5%	8.1%	(1.6)%

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19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

(unaudited)	**Q1 2024**	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**
Chorus								
Total revenue ($000)	426,184	421,452	447,596	396,775	415,252	439,755	421,326	392,343
Net income (loss) ($000)	12,310	36,621	17,148	20,318	32,019	45,852	23,561	(40,403)
Adjusted Net Income[(1)] ($000)	24,107	20,208	21,440	25,576	30,824	31,826	41,686	27,587
Adjusted Earnings available to Common Shareholders[(1)] ($000)	11,768	8,825	12,088	15,493	21,463	22,263	31,185	21,722
Adjusted EBITDA[(1)] ($000)	109,061	116,736	113,126	110,748	118,056	129,542	123,353	104,871
Earnings (loss) available to Common Shareholders per Common Share, basic ($)	0.00	0.13	0.04	0.05	0.11	0.18	0.06	(0.24)
Earnings (loss) available to Common Shareholders per Common Share, diluted ($)	0.00	0.13	0.04	0.05	0.11	0.18	0.06	(0.24)
Adjusted Earnings available to Common Shareholders,[(1)] per Common Share - basic ($)	0.06	0.05	0.06	0.08	0.11	0.11	0.15	0.11
FTE employees (end of period)	4,586	4,536	4,786	4,811	4,804	4,829	4,928	4,783
Number of aircraft (end of period)	354	362	364	361	360	357	366	381
Average foreign exchange rates (USD-CAD)	1.3483	1.3624	1.3407	1.3434	1.3518	1.3582	1.3048	1.2758
Jazz								
Departures	34,599	35,151	39,936	39,807	36,775	40,744	46,070	41,832
Block Hours	52,981	52,698	62,941	62,724	61,661	68,086	76,412	68,837
Billable Block Hours	54,570	53,509	65,032	63,788	65,149	71,727	81,224	72,816

(1) These are non-GAAP financial measures that are not recognized measures for financial statement presentation under GAAP. As such, they do not have standardized meanings, may not be comparable to similar measures presented by other issuers and should not be considered a substitute for or superior to GAAP results. Refer to Section18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

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20 REVENUE

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31, 2024 $	2023 $	Change $	Change %
Controllable Cost Revenue	228,448	197,549	30,899	15.6
Pass-Through Revenue	51,566	56,953	(5,387)	(9.5)
	280,014	254,502	25,512	10.0
Fixed Margin	15,320	15,820	(500)	(3.2)
Incentive Revenue	639	584	55	9.4
Aircraft leasing under the CPA	34,164	38,639	(4,475)	(11.6)
Other(1)(2)	28,239	29,883	(1,644)	(5.5)
	78,362	84,926	(6,564)	(7.7)
RAS Revenue	**358,376**	**339,428**	**18,948**	**5.6**
Lease revenue(3)	61,099	71,025	(9,926)	(14.0)
Asset management fees	3,492	4,596	(1,104)	(24.0)
Net gain on sale of assets(4)	2,999	—	2,999	(100.0)
RAL Revenue	**67,590**	**75,621**	**(8,031)**	**(10.6)**
Other(5)	218	203	15	7.4
Corporate Revenue	**218**	**203**	**15**	**7.4**
Total Revenue	**426,184**	**415,252**	**10,932**	**2.6**

(1) Other primarily relates to Voyageur and includes charter, contract flying, MRO and other.
(2) Excludes intercompany eliminations of $2.7 million and $2.2 million for the three months ended March 31, 2024 and March 31, 2023 respectively.
(3) Includes maintenance reserves of $3.1 million and $6.7 million for the three months ended March 31, 2024 and March 31, 2023, respectively.
(4) Includes a gain on disposal of $1.8 million related to one aircraft damaged beyond economic repair offset by the recognition of the lease termination payment owed from the lessee.
(5) Corporate leases space in its head-office building to third parties.

21 RAL RECEIVABLES

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

(unaudited) *(in thousands of Canadian dollars)*	As at March 31, 2024 $	As at December 31, 2023 $
Total gross receivables(1)	170,550	143,139
Allowance for ECL	(12,054)	(19,274)
Total net receivables	158,496	123,865
Total gross receivables - US dollars	125,866	108,226
Total net receivables - US dollars	116,970	93,653

(1) RAL gross receivables include $17.5 million (US $12.9 million) of New Notes related to the Azul restructuring, which are repayable in equal monthly instalments over the remainder of 2024 and long-term New Notes of $59.5 million (US $43.9 million) which may be settled, at Azul's option, in cash or by the issuance of Azul's publicly listed preferred shares in 12 quarterly instalments beginning January 1, 2025.

22 CONSOLIDATED STATEMENTS OF INCOME

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31, 2024 $	2023 $
Operating revenue	426,184	415,252
Operating expenses		
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	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(1)	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		
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	(8,848)	(8,871)
(Loss) earnings attributable to Common Shareholders	(29)	22,658

(1) Includes fair value of the New Notes received pursuant to the Azul Restructuring.

23 ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form, is available on SEDAR+ at www.sedarplus.ca. or on Chorus' website at www.chorusaviation.com under "Reports".

24 GLOSSARY OF TERMS

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

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

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

"**2021 CPA Amendments**" means the amendments to the 2015 CPA (as amended by the 2019 CPA Amendments) described in the Corporation's Material Change Report dated March 19, 2021;

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

"**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;

“**King Air 350**” means Beechcraft King Air 350 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 committed operating credit facility provided pursuant to the Third Amended and Restated Credit Agreement dated March 4, 2024 (as same may be amended from time to time) between the Corporation as borrower, The Bank of Nova Scotia as sole lead arranger, bookrunner, administrative agent and issuing bank, 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.

25 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes forward-looking information and statements within the meaning of applicable securities laws (collectively, “forward-looking information”). Forward-looking information is 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 may involve but is not limited to comments with respect to assumptions, strategies, expectations, planned operations or future actions. Forward-looking information relates 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, by its nature, is 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 involves 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.

Examples of forward-looking information 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 and efforts to accelerate value realization in Chorus’ leasing business, 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 information contained in this MD&A represents Chorus’ expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and is subject to change after such date. Chorus disclaims any intention or obligation to update or revise any forward-looking information as a result of 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.