chorus
aviation inc.

First Quarter 2015 Management's Discussion and Analysis of Results of Operations and Financial Condition

May 13, 2015

TABLE OF CONTENTS

1 OVERVIEW

The financial and operating highlights for Chorus are as follows:

Financial information

(unaudited)	Three months ended March 31, 2015	2014	Change
Operating revenue ($000)	375,101	414,581	(39,480)
Operating expenses ($000)	359,249	383,349	(24,100)
Operating income ($000)	15,852	31,232	(15,380)
Net (loss) income for the period ($000)	(24,756)	5,622	(30,378)
Adjusted EBITDA(1) ($000)	27,991	47,319	(19,328)
Adjusted EBITDA(1), excluding other items ($000)	40,070	50,158	(10,088)
Adjusted net income(1) ($000)	8,921	20,334	(11,413)
Adjusted net income(1), excluding other items (2) ($000)	21,000	23,173	(2,173)
Net (loss) income per Share, basic ($)	(0.21)	0.05	(0.26)
Adjusted net income per Share, basic(1) ($)	0.07	0.17	(0.10)
Adjusted net income(1), excluding other items per Share - basic(2) ($)	0.17	0.19	(0.02)

(1) This is a non-GAAP measurement. Refer to Section 18 – Non-GAAP Financial Measures.
(2) For the three months ended March 31, 2015, excludes $12.1 million in one-time costs associated with establishing the January 1, 2015 Amendment to the CPA.

Operating income information

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 Operations $	Leasing $	Inter-company transactions $	Total $	Three months ended March 31, 2014 Operations $	Leasing $	Inter-company transactions $	Total $
Operating revenue	375,277	16,032	(16,208)	375,101	414,581	14,220	(14,220)	414,581
Operating expenses	370,731	4,726	(16,208)	359,249	392,775	4,794	(14,220)	383,349
	4,546	11,306	—	15,852	21,806	9,426	—	31,232
Adjusted EBITDA(1)	11,959	16,032	—	27,991	33,099	14,220	—	47,319

(1) This is a non-GAAP measurement. Refer to Section 18 – Non-GAAP Financial Measures.

The year 2015 is expected to be transitional as the January 1, 2015 Amendment to the CPA is implemented and the fleet transition begins. Operating income for the three months ended March 31, 2015 compared to the same period 2014 decreased by $15.4 million. Operating income generated from contract and charter flying and aviation industry services decreased by $17.3 million, while operating income for the aircraft leasing operations under the CPA increased by $1.9 million. The overall decrease can be attributed to $12.1 million in one-time costs associated with the January 1, 2015 Amendment to the CPA, comprised of a $10.0 million one-time pilot signing bonus in the first quarter of 2015 as part of a newly ratified pilot collective agreement with ALPA and $2.1 million related to advisory fees for the January 1, 2015 Amendment. In addition, stock based compensation expense increased $5.1 million as a result of a change in accounting policy in February 2014 and an increased share price.

The $19.3 million decrease in Adjusted EBITDA resulted from the operating income decrease previously described together with a $3.9 million quarter over quarter decrease in depreciation and amortization expense. This decrease is mostly related to a change in the estimated economic useful lives and residual values of certain owned aircraft and flight equipment in the first quarter of 2015.

Operational information

	Three months ended March 31,		
(unaudited)	**2015**	**2014**	**Change**
Departures	59,983	61,912	(1,929)
Block Hours	85,691	89,088	(3,397)
Billable Block Hours	89,104	92,643	(3,539)
On-time performance (%)	77.5	77.9	(0.4)
Flight Completion (%)	95.6	95.7	(0.1)
FTE employees (end of period)	4,132	4,344	(212)
Number of Operating Aircraft (end of period)	125	125	—
Number of Covered Aircraft (end of period)	122	122	—

2 AMENDED CAPACITY PURCHASE AGREEMENT

On January 1, 2015, Chorus and Air Canada entered into a CPA Amending Agreement whereby the parties extended the term of the CPA to December 31, 2025, changed the means by which Air Canada pays Chorus for services delivered under the CPA, created a fleet renewal and transition program for the Covered Aircraft, and introduced certain new or revised terms and conditions related to: (i) the consequences of a severe economic downturn or an event of force majeure, (ii) change of control, (iii) non-competition and (iv) other matters (referred to herein as the "January 1, 2015 Amendment"). With regard to payment for services delivered under the CPA as a result of the January 1, 2015 Amendment, the parties have eliminated the mark-up on Controllable Costs, any future benchmarking process and the Compensating Mark-Up, and replaced them with a simplified combination of fixed fees per Covered Aircraft, conversion of some former Controllable Costs into Pass-Through Costs, compensation for Controllable Costs (other than crew labour costs) by payment of rates generally set on an annual basis, and Air Canada's assumption of direct responsibility for some significant costs.

There are three cost reclassifications effected with the implementation of the January 1, 2015 Amendment during 2015; (i) previous Controllable Costs no longer billed, (ii) previous Pass-Through Costs no longer billed and (iii) previous Controllable Costs moved to Pass-Through Costs. The following table summarizes the changes implemented in the January 1, 2015 Amendment as at March 31, 2015 and the previous CPA terms that were in effect at December 31, 2014.

Changes to the CPA Cost Categorization & Rate Periods by Operating Expense & Detailed Description[1]								
CPA Cost Categorization	**CPA Prior to 2015**				**January 1, 2015 Amendment**			
(unaudited)	Controllable Cost	Pass-Through Cost	Cost no longer billed to Chorus	Rate Periods	Controllable Cost	Pass-Through Cost	Cost no longer billed to Chorus	Rate Periods
Salaries, wages and benefits								
- Crew wages & benefits	X				X			11 years[2]
- All others	X				X			Annually[3]
Aircraft fuel								
- All costs		X		NA			X[5]	NA
Depreciation and amortization								
- All costs	X			3 Years	X			3 Years
Food, beverage and supplies								
- All costs	X			3 Years		X[4]		NA
Aircraft maintenance, materials and supplies								
- All costs	X			3 Years	X			Annually
Airport and navigation fees		X		NA		X[4]		NA
Aircraft rent								
- Chorus Q400 leased through CPA	X			Lease term	X			Lease term
- 3rd party operating leases	X			3 Years	X			3 Years
- Air Canada & subsidiary leases to Chorus	X			3 Years	X			3 Years
Terminal handling services								
- Groundhandling services from Air Canada	X			3 Years			X[4]	NA
- Groundhandling from 3rd parties	X			3 Years		X[4]		NA
- De-icing services from Air Canada		X		NA			X[4]	NA
- All others	X			3 Years	X			Annually
Other								
- Aircraft parking	X			3 Years		X[4]		NA
- Interrupted trips & baggage delivery	X			3 Years		X[4]		NA
- Station supplies for processing	X			3 Years		X[4]		NA
Passengers								
- Air Canada facilities	X			3 Years			X[4]	NA
- All others	X			3 Years	X			Annually

(1) For the calendar years 2015 to 2020, compensation will be based on 101 Covered Aircraft, notwithstanding the actual number of Covered Aircraft during that time. For the calendar years 2021 to 2015, the actual number of Covered Aircraft will be used.
(2) Adjusted for pilot flow, schedule efficiency, Block Hours and regulatory changes.
(3) Reset annually, subject to certain conditions.
(4) These costs transitioned in the first quarter of 2015.
(5) Fuel transition is expected to occur in the fourth quarter of 2015.

The following table outlines the impact of these contractual changes in the different operating expense line items to isolate the period over period operational variances.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $	Change $	=	Change: Operational variance $	Change: + Contractual variances $	=	Contractual variance: 2014 Controllable Costs no longer billed $	Contractual variance: 2014 Pass-Through Costs no longer billed $	Contractual variance: 2014 Controllable Costs moved to Pass-Through Costs $
Expenses										
Operating expenses										
Salaries, wages and benefits	118,058	104,115	13,943		13,943	—		—	—	—
Aircraft fuel	63,222	95,461	(32,239)		(32,239)	—		—	—	—
Depreciation and amortization	12,139	16,087	(3,948)		(3,948)	—		—	—	—
Food, beverage and supplies	2,785	4,251	(1,466)		(1,076)	(390)		(390)	—	—
Aircraft maintenance materials, supplies and services	50,024	39,554	10,470		10,470	—		—	—	—
Airport and navigation fees	39,978	39,486	492		492	—		—	—	—
Aircraft rent	25,709	23,652	2,057		2,057	—		—	—	—
Terminal handling services	17,555	30,995	(13,440)		3,142	(16,582)		(11,247)	(5,335)	—
Other	29,779	29,748	31		2,825	(2,794)		(2,033)	(761)	—
Total operating expenses	359,249	383,349	(24,100)		(4,334)	(19,766)		(13,670)	(6,096)	—
Summary										
Controllable Costs	235,887	233,457	2,430		26,167	(23,737)		(13,670)	—	(10,067)
Pass-Through Costs	123,362	149,892	(26,530)		(30,501)	3,971		—	(6,096)	10,067
Total operating expenses	359,249	383,349	(24,100)		(4,334)	(19,766)		(13,670)	(6,096)	—

3 INTRODUCTION

In this MD&A, references to Chorus or the Company refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz Aviation LP ("Jazz").

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 and the notes therein for the three months ended March 31, 2015, the audited consolidated financial statements of Chorus for the year ended December 31, 2014, Chorus' annual MD&A dated February 18, 2015, and Chorus' Annual Information Form dated March 30, 2015. 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 13, 2015.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 19 – Risk Factors.

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

Caution regarding forward-looking information

Certain information in this MD&A may contain statements which are forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus’ relationship with Air Canada, risks relating to the airline industry, airline leasing, energy prices, general industry, market, credit, and economic conditions,(including a severe and prolonged economic downturn which could result in reduced payments under the CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, secure financing, employee relations, labour negotiations or disputes, restructuring, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, dilution of Chorus shareholders, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties. For a discussion of certain risks, please refer to Section 19 - Risk Factors. Examples of forward-looking information in this MD&A include the description of deferred cash payments to be made in connection with the acquisition of 519222 Ontario Limited in Section 4 - The Chorus Business, the discussion of the rates payable pursuant to the CPA in Section 13 - Critical Accounting Estimates, the discussion of insurance recovery in Section 6 - Fleet, and the 2015 outlook discussion in Section 16 - 2015 Outlook. The forward-looking statements contained in this discussion represent Chorus’ expectations as of May 13, 2015 and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

4 THE CHORUS BUSINESS

Chorus is a holding company incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act,* with various aviation interests.

Chorus currently operates in three sectors of the North American aviation industry; i) contract and charter flying, which includes flight operations under the CPA, ii) aircraft leasing, and iii) aviation industry services which includes airport handling services and maintenance, repair and overhaul (including parts sales). Chorus’ primary business, contract flying, is currently conducted through Jazz. Chorus’ leasing activity for the Q400 aircraft and related equipment is currently conducted through Jazz Leasing Inc. Chorus Airport Services Inc., a subsidiary of Chorus Aviation Holdings Inc., along with Jazz provides airport handling services while both Chorus and Jazz are active in maintenance, repair and overhaul.

In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Through Jazz's operations, Chorus provides a significant part of Air Canada’s domestic and trans-border network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the greater part of Jazz’s fleet capacity at pre-determined rates. Under the CPA, Jazz provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada and to and from certain destinations in the United States. As at March 31, 2015, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 732 departures per weekday to 54 destinations in Canada and 18 destinations in the United States, using 122 Covered Aircraft. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Jazz operates the CPA flights on behalf of Air Canada under the "Air Canada Express" brand. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft (refer to Section 19 - Risk Factors).

Jazz is economically and commercially dependent on Air Canada and one of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide services and aircraft to Jazz (refer to Section 12 - Economic Dependence). Jazz is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 19 - Risk Factors).

On January 30, 2015, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the tentative agreement reached on January 13, 2015. The term of this agreement is 11 years expiring on December 31, 2025 and contains provisions prohibiting strikes and lockouts. The ratification of this new collective agreement was a condition to establishing the January 1, 2015 Amendment.

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier Inc., as represented by Bombardier Aerospace Commercial Aircraft ("Bombardier"), and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional Q400 aircraft.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program ("ESP"). The ESP is expected to extend the service life of the Dash 8-300 aircraft by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

On May 1, 2015, Chorus successfully closed its acquisition of 519222 Ontario Limited, the holding company that owns Voyageur Airways Limited and its related companies, a leading provider of specialized aviation services with international operations. The acquisition was first announced on March 12, 2015. The purchase price, on a cash free/ debt free basis, which represents a total enterprise value of approximately $80.0 million, subject to certain post-closing working capital and other adjustments, was funded with cash on hand of $47.0 million, and the issuance of 1,457,194 Voting Shares paid at closing. The balance of approximately $25.0 million in deferred cash payments will be paid in separate installments over the 36 month period following the closing.

5 FIRST QUARTER ANALYSIS

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Flight revenue including charter	199,079	213,301	(14,222)
Aircraft leasing revenue under the CPA	16,032	14,220	1,812
Margin compensation	33,048	33,408	(360)
Pass-through revenue	123,362	149,892	(26,530)
Passenger revenue	371,521	410,821	(39,300)
Other revenue	3,580	3,760	(180)
	375,101	414,581	(39,480)

Operating revenue decreased from $414.6 million to $375.1 million, representing a decrease of $39.5 million or 9.5% from 2014.

Flight revenue including charter

Flight revenue including charter decreased by $14.2 million or 6.7%. Under the CPA as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as ground handling at the major hubs and facilities have been removed from flight revenue. Other items, such as third party ground handling services and catering and commissary, have been re-classified as Pass-Through Costs and removed from flight revenue. The flight revenue reduction related to these changes was $23.2 million. In addition, decreased Billable Block Hours accounted for a $5.3 million reduction in flight revenue. These decreases were offset by a favourable US dollar exchange rate which resulted in a $6.8 million increase in the quarter and rate increases pursuant to the CPA accounted for an increase of approximately $7.5 million.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $1.8 million. The increase was related to a favourable US dollar exchange rate. Aircraft leasing revenue under the CPA is generated from the current 21 Q400 aircraft and four Q400 engines owned by JLI and leased to Jazz. The Q400 aircraft lease revenue under the CPA is reflected in revenue, and is designed to provide compensation to Chorus based on market lease rates.

Margin compensation

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,405	—	27,405
Mark-up, excluding Compensating Mark-Up	—	27,480	(27,480)
Incentives	5,643	5,928	(285)
	33,048	33,408	(360)

Under the CPA as amended by the January 1, 2015 Amendment, Chorus' margin compensation has changed from the mark-up on Controllable Cost rates to a fixed fee arrangement. The general approach taken previously under the CPA of marking-up certain costs has been eliminated (mark-up and Compensating mark-up). Chorus now achieves its margin compensation through fixed fees. Fixed fee arrangements are the more industry standard approach. The first new fixed fee is called the Fixed Margin per Covered Aircraft. The Fixed Margin per Covered Aircraft does not vary regardless of network size or complexity, Block Hours flown or any of the other drivers that applied to a majority of the previous rates based on Controllable Costs. Secondly, as Chorus provides additional services that support the CPA regional network such as airport operations, it also earns margin compensation through a Fixed Infrastructure Fee per Covered Aircraft. These two fixed fees have replaced the former margin compensation based on a mark-up on rates. The word "rates" for purposes of discussion relating to the CPA as amended by the January 1, 2015 Amendment, does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Based on the current fleet plan and the terms of the CPA margin compensation for 2015 to 2020 is contractually set at $109.7 million annually or $27.4 million quarterly.

For the three-month period ended March 31, 2015, Chorus earned $5.6 million in performance incentives, or 96.7% of the maximum available under the CPA as amended by the January 1, 2015 Amendment.

Pass-through revenue

Pass-through revenue decreased by $26.5 million or 17.7%, from $149.9 million to $123.4 million, which included a decrease of $32.0 million related to fuel costs driven primarily by a decline in jet fuel prices. Under the CPA as amended by the January 1, 2015 Amendment, compensation for deicing and certain other costs provided to Chorus by Air Canada will no longer be billed. This change decreased Pass-through revenue by $6.1 million. Also, as a result of the January 1, 2015 Amendment, other costs, such as third party ground handling services and catering and commissary, have been re-classified to Pass-Through Costs and removed from Controllable Costs. This change increased Pass-through revenue by $10.5 million. In addition, a favourable US dollar exchange rate resulted in a $1.7 million increase in the quarter.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Operating expenses			
Salaries, wages and benefits	118,058	104,115	13,943
Aircraft fuel	63,222	95,461	(32,239)
Depreciation and amortization	12,139	16,087	(3,948)
Food, beverage and supplies	2,785	4,251	(1,466)
Aircraft maintenance materials, supplies and services	50,024	39,554	10,470
Airport and navigation fees	39,978	39,486	492
Aircraft rent	25,709	23,652	2,057
Terminal handling services	17,555	30,995	(13,440)
Other	29,779	29,748	31
	359,249	383,349	(24,100)

Operating expenses decreased from $383.3 million to $359.2 million, a decrease of $24.1 million. An unfavourable US dollar exchange rate compared to the same period last year increased operating expenses by $8.5 million. Under the CPA as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as groundhandling services, facilities and deicing at the major hubs will no longer be billed. These Air Canada costs were $nil in the period compared to $19.8 million for the same period last year. Pass-Through Costs decreased from $149.9 million to $123.4 million, a decrease of $26.5 million or 17.7%. Controllable Costs increased from $233.5 million to $235.9 million, an increase of $2.4 million or 1.0%. $6.8 million of this controllable cost increase is attributable to an unfavourable US dollar exchange rate. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Adjusted salaries, wages and benefits	102,832	101,502	1,330
One-time pilot signing bonus	10,000	—	10,000
Stock based compensation	6,583	1,459	5,124
Employee separation program costs	—	2,839	(2,839)
Capitalized major maintenance overhaul labour	(1,357)	(1,685)	328
Salaries, wages and benefits	118,058	104,115	13,943

Salaries, wages and benefits increased by $13.9 million from $104.1 million to $118.1 million. Adjusted salaries, wages and benefits (adjusted for the removal of employee separation program costs and capitalized major maintenance overhaul labour), increased $1.3 million as a result of increased pension, incentive compensation and other employee benefits. As part of a newly ratified pilot collective agreement with ALPA, Chorus incurred a $10.0 million one-time pilot signing bonus in the first quarter of 2015. Stock based compensation increased as a result of a change in accounting policy in February 2014 and an increased share price. Employee separation program costs paid during the quarter were $nil compared to $2.8 million from the same period of 2014. Salaries and wages were also affected by fewer labour costs being capitalized on owned aircraft for major maintenance overhauls of $0.3 million on a period over period comparison. The reduction in major maintenance overhauls can be attributed to two fewer events capitalized during this period compared to same period last year.

Aircraft fuel

Aircraft fuel cost decreased by $32.2 million from $95.5 million to $63.2 million. The decrease was primarily attributable to a decline in jet fuel prices which accounted for approximately $28.8 million and a decrease in the volume of fuel consumed due to decreased Block Hours, which accounted for $3.4 million.

Depreciation and amortization

Depreciation and amortization expense decreased by $3.9 million from $16.1 million to $12.1 million. During the three months ended March 31, 2015, Chorus reviewed the estimated useful economic lives and residual values of certain owned aircraft and flight equipment. As a result, the expected estimated useful lives of these assets have been extended. The change in estimate reduced depreciation expense for the three months ended March 31, 2015 by approximately $3.4 million, compared to the same period last year. In addition, fewer capitalized major maintenance overhauls decreased depreciation expense by $0.5 million.

Food, beverage and supplies

Food, beverage and supplies decreased by $1.5 million from $4.3 million to $2.8 million. Under the CPA as amended by the January 1, 2015 Amendment, costs for certain services provided to Chorus by Air Canada will no longer be billed. These Air Canada costs were $nil in the period compared to $0.4 million for the same period last year. Chorus negotiated new contracts in late 2014 for catering and commissary services which resulted in decreased costs of $0.8 million. The remaining decrease was a result of decreased Block Hours.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense increased by $10.4 million from $39.6 million to $50.0 million. An unfavourable US dollar exchange rate on certain maintenance material purchases accounted for a $4.3 million increase, increased CRJ-200 engine overhauls accounted for $5.0 million, other maintenance costs accounted for $2.5 million and fewer maintenance costs being capitalized on owned aircraft for major maintenance overhauls accounted for a $0.3 million increase. These increases were offset by a decrease in Block Hours flown which accounted for $1.6 million.

Airport and navigation fees

Airport and navigation fees increased by $0.5 million from $39.5 million to $40.0 million. The increase related to rate changes as a result of changes in aircraft deployment and rate increases at certain airports.

Aircraft rent

Aircraft rent increased by $2.0 million from $23.7 million to $25.7 million. The increase was mainly due to an unfavourable US dollar exchange rate which accounted for $2.6 million. This increase was offset by costs incurred for returned spare engines which were $nil in the year compared to $0.5 million for the same period last year.

Terminal handling services

Terminal handling costs decreased by $13.4 million from $31.0 million to $17.6 million. Under the CPA as amended by the January 1, 2015 Amendment, costs for certain services provided to Chorus by Air Canada, such as ground handling and deicing at the major hubs will no longer be billed. These Air Canada costs were $nil in the period compared to $16.6 million for the same period last year. Also, decreased Block Hours accounted for a $0.7 million reduction. These decreases were offset by increased third party deicing costs of $1.7 million and increased rates as a result of changes in aircraft deployment of $0.7 million. In addition, the outsourcing of passenger handling services resulted in an increase of $1.5 million.

Other

Other expenses were in line with the same period last year. Under the CPA as amended by the January 1, 2015 Amendment, costs for certain services provided to Chorus by Air Canada, such as facilities at the major hubs will no longer be billed. These Air Canada costs were $nil in the period compared to $2.8 million for the same period last year. This decrease was offset by increased general overhead expenses and professional fees of $2.8 million, of which $2.1 million related to advisory fees related to the January 1, 2015 Amendment.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Non-operating income (expenses)			
Net interest expense	(3,296)	(5,844)	2,548
Gain on disposal of property and equipment	3	16	(13)
Foreign exchange loss	(33,861)	(13,601)	(20,260)
	(37,154)	(19,429)	(17,725)

Non-operating expenses increased by $17.8 million from $19.4 million to $37.2 million.

Over the course of the first and second quarters of 2014, Chorus redeemed all of the outstanding Debentures, which accounted for a decrease in interest expense of $2.6 million related to the Debentures. Interest expense related to long-term debt increased by $0.1 million related to an unfavourable US dollar exchange rate.

The weakening of the Canadian dollar contributed to a foreign exchange loss of $33.9 million, compared to a foreign exchange loss of $13.6 million in the previous year. The US dollar exchange rate at March 31, 2015 was $1.2666 while the US dollar exchange rate at December 31, 2014 was $1.1601. The US dollar exchange rate at March 31, 2014 was $1.1055 while the US dollar exchange rate at December 31, 2013 was $1.0636. These rates are based on the closing day rate from the Bank of Canada.

6 FLEET

As at March 31, 2015, Chorus' operating fleet was made up of 125 operating aircraft, of which 42 were regional jets and 83 were turboprop aircraft.

The following table summarizes Chorus' operating fleet as at March 31, 2015:

(unaudited)	Number of Operating Aircraft March 31, 2015	Average Age of Operating Aircraft	Owned	Finance Lease	Operating Lease	Number of Operating Aircraft March 31, 2014
Canadair Regional Jet CRJ200	26	12.8	—	—	26	26
Canadair Regional Jet CRJ705	16	9.7	—	—	16	16
De Havilland Dash 8-300	28	24.6	19	7	2	28
De Havilland Dash 8-100	34	26.1	29	—	5	34
Bombardier Q400	21	3.0	21	—	—	21
Total Operating Aircraft	125	17.2	69	7	49	125

As of March 31, 2015, all aircraft in Chorus' operating fleet were Covered Aircraft under the CPA, except for two Dash 8-300 and one CRJ-200 aircraft allocated for charter purposes.

On November 6, 2014, upon landing at Edmonton International Airport, a Q400 aircraft sustained significant damage. Chorus is repairing the aircraft, and expects to recover the cost of these repairs from its insurers or through warranty. Chorus has worked with Air Canada to minimize the impact on the flight schedule by increasing utilization of the remaining fleet. This Q400 aircraft has been included in the above table.

7 SUMMARY OF FINANCIAL RESULTS

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

(unaudited)	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Total revenue ($000)	375,101	401,298	432,576	417,836	414,581	413,227	432,256	410,297
Net (loss) income ($000)	(24,756)	11,338	11,252	36,498	5,622	8,755	36,032	7,899
Adjusted net income(1) ($000)	8,921	23,697	29,004	22,197	20,334	20,811	27,708	21,428
Adjusted net income(1), excluding other items ($000)	21,000	25,022	32,281	26,698	23,173	22,052	28,436	23,652
Billable Block Hours	89,104	89,674	96,776	91,770	92,643	92,610	98,668	94,062
ASMs (000's)	1,246,132	1,310,249	1,482,023	1,398,234	1,316,726	1,339,219	1,525,876	1,440,231
Average Stage Length (miles)	390	390	390	400	391	395	406	406
Adjusted EBITDA(1) ($000)	27,991	49,823	56,153	50,663	47,319	48,932	55,762	47,950
Adjusted EBITDA(1), excluding other items ($000)	40,070	51,148	59,430	55,164	50,158	50,173	56,490	50,174
Standardized Free Cash Flow before growth capital expenditures and dividends(1) ($000)	17,301	42,136	57,344	38,937	39,051	27,863	40,301	31,093
Net (loss) income per Share, basic ($)	(0.21)	0.09	0.09	0.30	0.05	0.07	0.29	0.06
Net (loss) income per Share, diluted ($)	(0.21)	0.09	0.09	0.29	0.05	0.07	0.27	0.06
Adjusted net income(1) per Share, basic ($)	0.07	0.20	0.24	0.18	0.17	0.17	0.23	0.17
Adjusted net income(1), excluding other items per Share - basic ($)	0.17	0.21	0.27	0.22	0.19	0.18	0.23	0.19

(1) This is a non-GAAP measurement. Refer to Section 18 – Non-GAAP Financial Measures.

Under the CPA, Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with passenger load factors.

8 LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At March 31, 2015, Chorus had $108.1 million in cash and cash equivalents and $3.3 million of restricted cash (letters of credit), for a total of $111.4 million, a decrease of $6.4 million from December 31, 2014. This decrease is primarily attributable to a $10.0 million one-time pilot signing bonus paid in the first quarter of 2015, as part of a newly ratified pilot collective agreement with ALPA, $2.1 million advisory fees related to the January 1, 2015 Amendment and deposits made for additional Q400 aircraft and the ESP program of $3.4 million.

Chorus' current liquidity needs are primarily related to meeting obligations associated with the following: planned capital expenditures, including acquisitions for purposes of business diversification, ongoing operations, covenants in aircraft and engine financing agreements, repayment and interest costs related to long-term debt and generating sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors).

The airline business is capital intensive and highly sensitive to uncertain external circumstances (refer to Section 3 - Introduction, "Caution regarding forward-looking information" and Section 19 - Risk Factors). As a result, Chorus' main objectives when managing capital are to provide a strong capital base to maintain Shareholder, creditor and market confidence and to sustain future development of the business. Chorus manages its capital structure and makes adjustments to it in light of changes in economic conditions and Chorus' risk profile.

Cash balances are monitored daily and fluctuations are primarily tied to the CPA payment schedule. The CPA payment schedule allows for a gradual draw-down of cash throughout the month and funds are refreshed in two payment tranches. Controllable Revenue is paid in advance on the first business day of the month. The Pass-through revenue and the reconciliation of Controllable Revenue is paid on the 30th of the month or the business day prior if the 30th is a non-business day. This payment timing means that Chorus typically has its highest cash balances at the beginning of the month and the lowest cash balance is the day before the Pass-through revenue and the reconciliation of Controllable Revenue are paid. As the CPA as amended by the January 1, 2015 Amendment results in some expenses moving to Pass-Through Costs that were previously Controllable Costs and some costs now being borne by Air Canada, there is a resulting impact on timing of payment by Air Canada. The parties agreed to work together to ensure that the implementation of these changes does not adversely impact Chorus' cash flow and minimum cash positions.

Working capital

The following table provides information on Chorus' working capital balances as at March 31, 2015 and as at December 31, 2014:

(unaudited) (expressed in thousands of Canadian dollars)	March 31, 2015 $	December 31, 2014 $	Change $
Cash and cash equivalents	108,118	114,578	(6,460)
Accounts receivable	57,161	66,229	(9,068)
Other current assets	60,859	60,250	609
Accounts payable and accrued liabilities	(204,949)	(215,325)	10,376
Dividends payable	(4,831)	(4,509)	(322)
Current portion of long-term debt and finance leases	(41,529)	(38,728)	(2,801)
Current portion of long-term incentive plan	(4,898)	(6,358)	1,460
Income tax payable	(3,214)	—	(3,214)
Net working capital	(33,283)	(23,863)	(9,420)

As at March 31, 2015, working capital was a deficit of $33.3 million, a decline of $9.4 million from the December 31, 2014 deficit of $23.9 million. This change was primarily as a result of decreased cash (as discussed above), increased long-term debt resulting from an unfavourable US dollar exchange rate, decreased accounts receivable as a result of the CPA as amended by the January 1, 2015 Amendment and an increase in income tax payable. This was offset by decreased accounts payable as a result of the January 1, 2015 Amendment.

Sources and uses of cash

The following table provides information on Chorus' cash flows for the three months ended March 31, 2015 and March 31, 2014.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Sources of Cash:			
Cash provided by operating activities before net changes in non-cash balances related to operations	20,643	47,397	(26,754)
Net changes in non-cash balances related to operations	3,741	—	3,741
Other	3	16	(13)
Total sources	**24,387**	**47,413**	**(23,026)**
Uses of Cash:			
Net changes in non-cash balances related to operations	—	(1,662)	1,662
Repayment of long-term debt and obligations under finance leases	(9,893)	(7,751)	(2,142)
Redemption of convertible debentures	—	(60,000)	60,000
Dividends	(13,548)	(13,786)	238
Additions to property and equipment	(10,443)	(6,700)	(3,743)
Other	(64)	—	(64)
Total usage	**(33,948)**	**(89,899)**	**55,951**
Effect of foreign exchange on cash and cash equivalents	**3,101**	**—**	**3,101**
Net change in cash and cash equivalents during the periods	**(6,460)**	**(42,486)**	**36,026**
Cash and cash equivalents – Beginning of periods	**114,578**	**159,901**	**(45,323)**
Cash and cash equivalents – End of periods	**108,118**	**117,415**	**(9,297)**

Sources of cash

Sources of cash for the three months ended March 31, 2015 were $24.4 million, a decrease of $23.0 million. The decrease was mainly the result of a lower net income; offset by positive changes in non-cash working capital.

Uses of cash

Uses of cash for the three months ended March 31, 2015 were $33.9 million, a decrease of $56.0 million. In the first quarter of 2014, Chorus redeemed Debentures in the amount of $60.0 million. For the three months ended March 31, 2015 there were growth capital expenditures of $3.4 million, compared to $nil in the same period of 2014 as Chorus made deposits for additional Q400 aircraft. Maintenance capital expenditures increased by $0.4 million related to ongoing spare part replacements for the fleet, equipment and leasehold improvements; offset by reduced major maintenance overhauls. Refer to table below under capital expenditures. In addition, payments related to long-term debt and obligations under finance leases increased by $2.1 million.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 18, 2015 for information regarding Chorus' contractual obligations and other commitments.

Long-term debt

The terms and conditions of the Q400 aircraft and engine financing are consistent with those disclosed in Section 11 of Chorus' annual MD&A dated February 18, 2015. As at March 31, 2015, Chorus was in compliance with all the required covenants.

Capital expenditures

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Capital expenditures, excluding growth capital	4,040	3,496	544
Capitalized major maintenance overhauls	3,046	3,204	(158)
Maintenance Capital Expenditures	7,086	6,700	386
Growth capital expenditures	3,357	—	3,357
Total capital expenditures	10,443	6,700	3,743

Capital expenditures consist of Maintenance Capital Expenditures and growth capital expenditures. Maintenance Capital Expenditures represent expenditures incurred to sustain operations or Chorus' productive capacity, such as leasehold improvements (includes improvements made to leased aircraft), aircraft-related (includes aircraft, aircraft related communication, equipment and tooling, spare part replacements for the fleet, and major maintenance overhaul expenditures), and facilities and owned buildings. Growth capital expenditures represent all other expenditures incurred, such as the purchase of Q400 aircraft and engines and deposits made for the planned Dash 8- 300 ESP with Bombardier.

For the three months ended March 31, 2015, Maintenance Capital Expenditures were $7.1 million (2014 - $6.7 million), which included: $3.0 million for capitalization of major maintenance overhauls and $4.0 million for ongoing spare part replacements for the fleet, equipment and leasehold improvements.

For the three months ended March 31, 2015, growth capital expenditures were $3.4 million (2014 - $nil). During the first quarter of 2015, Chorus made deposits of $2.8 million for additional Q400 aircraft as required under the purchase agreement and $0.6 million for the ESP program with Bombardier.

Shares

At May 8, 2015, the issued and outstanding Shares of Chorus, were as follows:

(unaudited)	May 8, 2015	December 31, 2014
Issued and outstanding Shares		
Class A Variable Voting Shares	6,719,262	5,191,462
Class B Voting Shares	115,513,135	115,061,477
Total issued and outstanding Shares	122,232,397	120,252,939
Shares potentially issuable		
Long-term incentive plan	2,423,787	2,240,202
Total outstanding and potentially dilutive shares	124,656,184	122,493,141

Dividends

For the three months ended March 31, 2015, Chorus declared dividends of $13.9 million (2014 - $13.8 million). For the three months ended March 31, 2015, Chorus paid dividends of $13.5 million (2014 - $13.8 million).

On February 18, 2015, Chorus announced an increase in the monthly dividend from $0.0375 to $0.04 per Share, effective with the March dividend for Shareholders of record at the close of business on March 31, 2015 and payable on April 17, 2014. Chorus' Board of Directors evaluates the dividend on a regular basis and dividends are declared at the discretion of the Board.

9 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 11 of Chorus' annual MD&A dated February 18, 2015. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

10 RELATED PARTY TRANSACTIONS

As at March 31, 2015, 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.

11 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Section 13 of Chorus' annual MD&A dated February 18, 2015 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

12 ECONOMIC DEPENDENCE

For a detailed description of the CPA with Air Canada, including the January 1, 2015 Amendment, please refer to Section 2 and Section 14 of Chorus' annual MD&A dated February 18, 2015.

13 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates (refer to Section 3 – Introduction, "Caution regarding forward-looking information"). The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the year ended December 31, 2014. Information regarding Chorus' critical accounting estimates is disclosed in Section 15 of Chorus' annual MD&A dated February 18, 2015. There are no changes regarding critical accounting estimates for the three months ended March 31, 2015, with the exception of those described below:

Operating revenue

Under the CPA as amended by the January 1, 2015 Amendment, Chorus and Air Canada are to re-set detailed rates applicable to the year ending December 31, 2015. The new rates will be retroactive to January 1, 2015. The negotiation of these rates has not been completed. As a result, Chorus used rates based both on contractually obligated costs and a mutually agreed upon interim escalation rate of 1.25% plus the prior year's rate as the basis for estimating CPA operating revenues during the three-month period ended March 31, 2015. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. As such, Chorus' revenue is subject to judgement and estimate uncertainty. If the negotiated rates were to differ 1% from the current estimate being used, the amount of operating revenue recognized under the CPA in the quarter would be increased/decreased by approximately $1.8 million.

Depreciation of long-lived assets

During the three-month period ended March 31, 2015, Chorus reviewed the estimated useful economic lives of its owned aircraft and flight equipment. As a result, the expected estimated useful economic lives of certain of these assets have been extended and there was no significant impact related to the residual values. The effect of these changes was a reduction to depreciation expense for the three-month period ended March 31, 2015 of approximately $5.0 million. The impact of this was offset by flight equipment acquired in 2014 and 2015 and capitalized major maintenance overhauls for a net reduction in depreciation period over period of approximately $3.9 million.

14 ACCOUNTING POLICIES

The significant accounting policies of Chorus are described in note 3 of the December 31, 2014 consolidated financial statements of Chorus. Please refer to note 3 of Chorus' consolidated financial statements for the year ended December 31, 2014 for information on new accounting standards and amendments not yet effective.

15 CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Chorus' disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed in any public filings is recorded, processed, summarized and reported on a timely basis. Chorus' internal control over financial reporting ("ICFR") has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Chorus' annual 2014 MD&A dated February 18, 2015, contains a statement that the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Chorus' DC&P and ICFR are effective based upon an evaluation of these controls and procedures at December 31, 2014.

Chorus filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators along with the 2014 annual financial statements and MD&A. In those filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Chorus' DC&P and the design and effectiveness of ICFR. The CEO and CFO also certified the appropriateness of the financial disclosures in Chorus' interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO certified that both Chorus' DC&P and ICFR have been designed, based on the framework established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of Chorus' financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to inherent limitations, ICFR and DC&P can provide only reasonable assurances 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 fiscal 2015 that has materially affected, or is reasonably likely to materially affect, 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, 2015, and approved these documents prior to their release.

16 2015 OUTLOOK

The discussion that follows represents forward-looking information (refer to Section 3 - Introduction, "Caution regarding forward-looking information"). This outlook is provided for the purpose of providing information about current expectations for 2015. This information may not be appropriate for other purposes.

The outlook provided below excludes the acquisition of 519222 Ontario Limited, a holding company that owns Voyageur Airways Limited and its related companies, a leading provider of specialized aviation services with international operations. For the fiscal year ended December 31, 2014, Voyageur generated total revenue of $67.7 million and adjusted EBITDA of $16.9 million. The $80.0 million purchase price represents an attractive multiple of approximately 4.7 times 2014's adjusted EBITDA.

The year 2015 is expected to be transitional as the January 1, 2015 Amendment to the CPA is implemented and the fleet transition begins.

Effective January 1, 2015, Billable Block Hours no longer directly affect CPA compensation but remain relevant for rate setting. Rates for Controllable Costs will generally be set annually under the CPA as amended by the January 1, 2015 Amendment, with the exception of crew labour rates, which have been set until the end of the CPA term. Based on the 2015 winter schedule, the summer 2015 schedule and updated planning assumptions received from Air Canada, Chorus anticipates billing between 368,000 and 375,000 Block Hours for the year ending December 31, 2015. The actual number of Billable Block Hours for 2015 may vary from this anticipated range due to a number of factors. See Section 19 - Risk Factors.

Based on the current fleet plan and the terms of the CPA as amended by the January 1, 2015 Amendment, margin compensation for 2015 to 2020 is contractually set at $109.7 million annually, compared to the $112.0 million recorded in 2014. There is no longer a Compensating Mark-Up or a margin adjustment in the CPA and the benchmarking provision has been eliminated.

Performance incentives available under the CPA are now calculated based on a fixed amount per aircraft. Total performance incentives available for 2015 are $23.3 million.

Maintenance Capital Expenditures for 2015 are expected to be between $31.0 million and $37.0 million. The increase in 2015 reflects higher anticipated major maintenance overhauls.

(unaudited) (expressed in thousands of Canadian dollars)	Planned 2015 $	Actual Year ended December 31, 2014 $	Actual Year ended December 31, 2013 $
Capital expenditures, excluding growth capital	12,000 to 15,000	12,693	20,648
Capitalized major maintenance overhauls	19,000 to 22,000	12,857	17,523
	31,000 to 37,000	25,550	38,171

Concurrent with the January 1, 2015 Amendment to the CPA, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier, and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional aircraft. Based on the list price for the Q400 aircraft, the firm order for a total of 13 Q400 aircraft is valued at approximately US$424.0 million, and could increase to US$758.0 million if the options to purchase all additional ten aircraft are exercised.

Chorus plans to purchase six new Q400 aircraft from Bombardier during 2015, with the delivery of three aircraft in October 2015, two in November 2015 and one in December 2015. These six Q400 aircraft will increase the total number of Q400s that Chorus currently owns to 27, and contribute additional aircraft leasing revenue under the CPA. As at December 31, 2014, Chorus had recorded $40.3 million in property and equipment for predelivery payments, as required under the purchase agreement with Bombardier. During the first quarter of 2015, Chorus made deposits of $2.8 million (US$2.2 million) as required under the purchase agreement and $0.6 million (US$0.5 million) for the ESP program with Bombardier. Under its agreements with Bombardier, Chorus is required to make additional payments of US$19.7 million in the remainder of 2015, US$5.2 million in 2016 and US$0.5 million in 2017, for a total commitment of US$25.4 million related to the purchase of the Q400 aircraft and the ESP program. Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders of Q400 aircraft.

17 ADDITIONAL INFORMATION

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

18 NON-GAAP FINANCIAL MEASURES

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

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure. Adjusted EBITDA (net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus, and commonly by other regional airlines in the industry, as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and factors such as historical cost. 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. While the one-time pilot signing bonus, CPA advisory fees and employee separation program costs have been included within our definition of adjusted EBITDA, it is shown separately below to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Net (loss) income	(24,756)	5,622	(30,378)
Add:			
Net interest expense	3,296	5,844	(2,548)
Income tax expense	3,454	6,181	(2,727)
Depreciation and amortization(1)	12,139	16,087	(3,948)
EBITDA	**(5,867)**	**33,734**	**(39,601)**
Gain on disposal of property and equipment	(3)	(16)	13
Foreign exchange loss	33,861	13,601	20,260
Adjusted EBITDA	**27,991**	**47,319**	**(19,328)**
Other items:			
One-time pilot signing bonus	10,000	—	10,000
CPA advisory fees	2,079	—	2,079
Employee separation program	—	2,839	(2,839)
Adjusted EBITDA, excluding other items	*40,070*	*50,158*	*(10,088)*

(1) Includes depreciation and amortization of $3.6 million for the three months ended March 31, 2015 (2014 - $3.5 million) related to major maintenance overhauls.

Standardized Free Cash Flow

Standardized 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 Company. Readers are cautioned that Standardized Free Cash Flow does not represent residual cash flow available for discretionary expenditures.

The following table provides a reconciliation of Standardized Free Cash Flow to cash flows from operating activities, which is the most comparable financial measure calculated and presented in accordance with GAAP:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2015 $	 2014 $	 Change $
Cash flows from operating activities	**24,384**	**45,735**	**(21,351)**
Maintenance Capital Expenditures [1]	(7,086)	(6,700)	(386)
Gain on disposal of property and equipment	3	16	(13)
Maintenance Capital Expenditures, net of gain on disposal	**(7,083)**	**(6,684)**	**(399)**
Standardized Free Cash Flow before growth capital expenditures and dividends	**17,301**	**39,051**	**(21,750)**
Growth capital expenditures[1]	(3,357)	—	(3,357)
Dividends paid	(13,548)	(13,786)	238
Standardized Free Cash Flow	**396**	**25,265**	**(24,869)**

(1) Refer to Section 8 - Liquidity and Capital Resources, "Capital Expenditures".

Adjusted Net Income

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and finance leases related to aircraft. 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 our 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. While the one-time signing bonus, CPA advisory fees and employee separation program costs have been included within our definition of adjusted net income, it is shown separately to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended March 31, 2015 $	 2014 $	 Change $
Net (loss) income for the periods	(24,756)	5,622	(30,378)
Unrealized foreign exchange loss	33,677	14,712	18,965
Adjusted net income	**8,921**	**20,334**	**(11,413)**
Adjusted net income per Share - basic	**0.07**	**0.17**	**(0.10)**
Other items:			
One-time pilot signing bonus	10,000	—	10,000
CPA advisory fees	2,079	—	2,079
Employee separation program	—	2,839	(2,839)
Adjusted net income, excluding other items	*21,000*	*23,173*	*(2,173)*
Adjusted net income, excluding other items per Share - basic	*0.17*	*0.19*	*(0.02)*

Return on Invested Capital

Return on Investment Capital is a non-GAAP measure commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average Shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds head lease.

(unaudited) (expressed in thousands of Canadian dollars)	Trailing twelve months ended March 31, 2015 $	 December 31, 2014 $	 Change $
Income before income taxes	61,413	94,518	(33,105)
Unrealized foreign exchange on long-term debt and finance leases	49,487	30,522	18,965
Income before income taxes (and unrealized foreign exchange on long-term debt and finance leases)	110,900	125,040	(14,140)
Add:			
Finance costs	14,363	16,895	(2,532)
Implicit interest in operating leases (1)	3,582	3,816	(234)
	128,845	145,751	(16,906)
Invested capital:			
Average long-term debt (2)	430,839	442,696	(11,857)
Average obligations under finance leases (3)	4,222	4,891	(669)
Average Shareholders' equity	124,982	158,021	(33,039)
Off-balance sheet aircraft leases (4)	51,175	54,514	(3,339)
	611,218	660,122	(48,904)
Return on invested capital(5)	21.1%	22.1%	(1)%

(1) Interest implicit in operating leases is equal to 7.0 percent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 percent is a proxy and does not necessarily represent actual for any given period.
(2) Average long-term debt includes the current portion and long-term portion.
(3) Average obligations under finance leases include the current portion and long-term portion.
(4) Off-balance sheet aircraft leases are calculated by multiplying the annual aircraft leasing expense by 7.5 only for aircraft which Chorus holds the head lease. For the trailing twelve months ended March 31, 2015 and December 31, 2014, these aircraft lease expenses totaled $6.8 million and $7.3 million, respectively.
(5) Aircraft rent was $95.4 million and $93.4 million for the trailing twelve months ended March 31, 2015 and December 31, 2014, respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $88.6 million and $86.1 million for the trailing twelve months ended March 31, 2015 and December 31, 2014, respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included, return on invested capital would be 13.7% and 14.6%, respectively.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at March 31, 2015 and as at December 31, 2014:

(unaudited) (expressed in thousands of Canadian dollars)	March 31, 2015 $	December 31, 2014 $	Change $
Total long-term debt and finance leases	392,117	368,682	23,435
Current portion of long-term debt and finance leases	41,529	38,728	2,801
Total long-term debt and finance leases (including current portion)	433,646	407,410	26,236
Less: Cash and cash equivalents	(108,118)	(114,578)	6,460
Net debt	325,528	292,832	32,696
Capitalized operating leases	51,175	54,514	(3,339)
Adjusted net debt	376,703	347,346	29,357

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was $95.4 million and $93.4 million for the trailing twelve months ended March 31, 2015 and December 31, 2014, respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $88.6 million and $86.1 million for the trailing twelve months ended March 31, 2015 and December 31, 2014, respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, adjusted net debt would be $1,041.1 million and $993.0 million, respectively.

As at March 31, 2015, adjusted net debt increased from $347.3 million to $376.7 million, representing an increase of $29.4 million or 8.5% from December 31, 2014. This increase was a result of a higher US dollar exchange rate which increased long-term debt by approximately $35.2 million and cash used to make a $10.0 million one-time pilot signing bonus in the first quarter of 2015, as part of a newly ratified pilot collective agreement with ALPA, $2.1 million related to advisory fees for the January 1, 2015 Amendment and deposits made on additional Q400 aircraft and the ESP program of $3.4 million. These increases were offset by debt repayments of $8.9 million.

19 RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Chorus, the industry, the structure of Chorus and current legal proceedings refer to the Section entitled "Risk Factors" in Chorus' 2014 Annual MD&A dated February 18, 2015, and Chorus' Annual Information Form dated March 30, 2015.

20 GLOSSARY OF TERMS

"**ABCP**" means asset backed commercial paper;

"**Aircraft**" has the meaning given in the CPA;

"**ALPA**" means the Air Line Pilots Association;

"**Annual Delivered Block Hours**" has the meaning given in the CPA;

"**Available Seat Miles (ASMs)**" means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

"**Average stage length**" means the average distance of a non-stop flight leg between take-off and landing as defined by International Air Transport Association guidelines;

"**Aviation GP**" means Aviation General Partner Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on November 18, 2010 to act as the general partner of Jazz Aviation LP;

"**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;

"**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;

"**CBCA**" means the Canada Business Corporations Act, as amended;

"**Chorus**" references herein to Chorus or the Company in this MD&A refer to, as the context may require, one or more of Chorus Aviation Inc. and its current and former subsidiaries;

"**Chorus Airport Services Inc.**" or "**CASI**" means Chorus Airport Services Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Chorus Aviation Holdings Inc.**" or "**CAHI**" means Chorus Aviation Holdings Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Compensating Mark-Up**" has the meaning formerly given in the CPA, before the January 1, 2015 CPA Amending Agreement;

"**Controllable Costs**" mean for any period, all costs and expenses incurred and paid by Chorus other than Pass-Through Costs;

"**Controllable Revenue**" means revenue received from Air Canada in payment of various rates established under the CPA from time to time;

"**Covered Aircraft**" means Chorus' aircraft subject to the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended by the Rate Amending Agreements and the CPA Amending Agreements, and as may be further amended;

"**CPA Amending Agreements**" means the agreements to amend the CPA dated September 22, 2009, March 8, 2011, June 21, 2012, June 6, 2013 and January 1, 2015;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB");

"**Debentures**" mean the $80.2 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus fully redeemed during 2014;

"**Departure**" means one take off of an aircraft;

"**EDC**" means Export Development Canada;

"**Extended Hub Airport**" means collectively the Hub Airports and any airport located within 175 kilometres of the Hub Airports;

"**Fixed Margin per Covered Aircraft**" has the meaning given in the CPA;

"**Flight Completion**" means the percentage of flights completed from flights originally scheduled;

"**FTE**" means full-time equivalents in respect of employee staffing levels;

"**GAAP**" means generally accepted accounting principles in Canada after the adoption of IFRS;

"**Hub Airport**" means an airport bearing the International Air Transport Association code YVR, YYC, YEG, YYZ, YOW or YUL;

"**IASB**" means the International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards;

"**Infrastructure Fee per Covered Aircraft**" has the meaning given in the CPA;

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010;

"**Jazz Aircraft Financing Inc.**" or "**JAFI**" means Jazz Aircraft Financing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Aviation Holdings Inc.**" or "**JAHI**" means Jazz Aviation Holdings Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Leasing Inc.**" or "**JLI**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity, which excludes Q400 aircraft and engine purchases;

"**MD&A**" means Chorus' management's discussion and analysis of results of operations and financial condition;

"**Operating Aircraft**" means Covered Aircraft plus charter aircraft, less new aircraft deliveries which have not yet entered commercial service;

"**On-time performance**" means the percentage of flights that arrive within 15 minutes of their scheduled time;

"**Pass-Through Costs**" has the meaning given in the CPA;

"**Pass-through revenue**" means revenue received from Air Canada under the CPA in payment of Pass-Through Costs;

"**PAWOBs**" means passengers arriving without baggage;

"**Q400 aircraft**" means Bombardier Q400 NextGen turboprop aircraft;

"**Rate Amending Agreements**" means the agreements to amend and re-set the rates between Jazz and Air Canada dated July 6, 2009, August 6, 2012, and June 3, 2013;

"**Scheduled Flights**" has the meaning given in the CPA;

"**Shareholders**" mean holders of Shares;

"**Shares**" mean common shares of Chorus Aviation Inc., which includes Class A Variable Voting Shares and Class B Voting Shares;

"**TSX**" means the Toronto Stock Exchanges; and

"**Unit Costs**" has the meaning given in the CPA.