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FIRST QUARTER 2023

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

Chorus Aviation Inc.

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INTRODUCTION

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

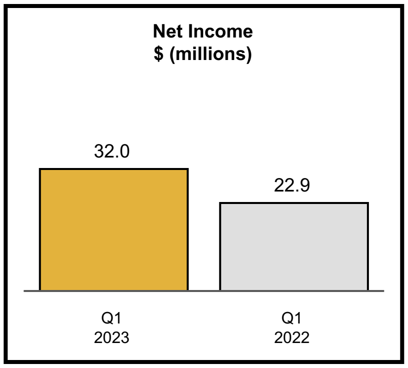
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus for the three months ended March 31, 2023, the audited consolidated financial statements of Chorus for the year ended December 31, 2022, Chorus MD&A dated February 15, 2023 in respect of the year ended December 31, 2022, and Chorus Annual Information Form dated February 15, 2023 in respect of the year ended December 31, 2022. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of May 8, 2023.

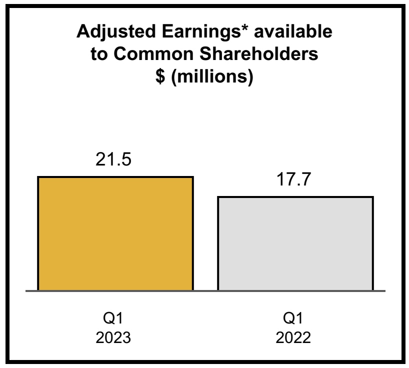
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

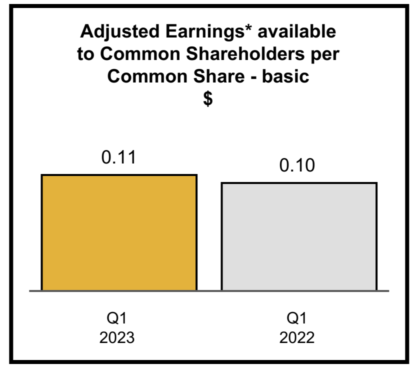
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

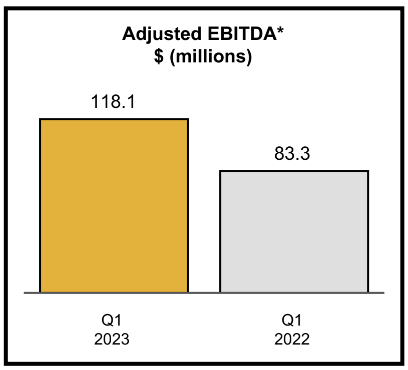
![chorus logo]

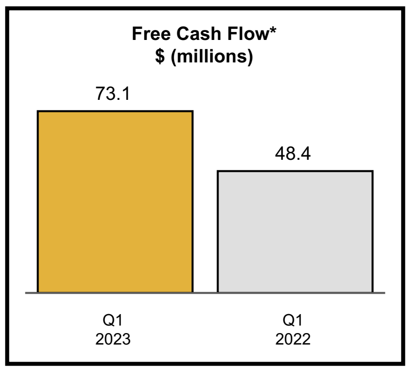
1 OVERVIEW

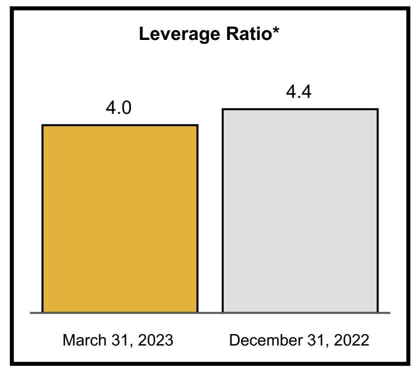












* These are non-GAAP financial measures and therefore do not have a standardized meaning and may not be comparable to similar financial measures disclosed by other issuers. Refer to Section 18 – Non-GAAP Financial Measures for further information, including the composition and use of such non-GAAP financial measures.

Q1 2023 Financial Highlights:

- Net income of $32.0 million, a quarter-over-quarter increase of $9.1 million.
- Adjusted earnings available to Common Shareholders of $21.5 million, an increase of $3.7 million quarter-over-quarter.
- Adjusted earnings available to Common Shareholders of $0.11 per Common Share, basic, an increase of $0.01 quarter-over-quarter.
- Adjusted EBITDA of $118.1 million, an increase of $34.8 million quarter-over-quarter.
- Free Cash Flow of $73.1 million, an increase of $24.6 million or approximately 51%.
- Leverage Ratio improved to 4.0 at March 31, 2023 from 4.4 at December 31, 2022.

Highlights:

Chorus continues to make progress on its asset light leasing strategy, improving its Leverage Ratio and reducing its balance sheet risk with its strong first quarter 2023 earnings and Free Cash Flow. Chorus is on track to meet its annual targets given the contractual nature of its earnings and its amortizing debt repayments (refer to Section 4 - Outlook).

Chorus announced the launch of Cygnet Aviation Academy LP ("**Cygnet**") on March 28, 2023, a first of its kind pilot academy in Canada providing leading edge flight training with direct access to career opportunities. Cygnet, in collaboration with CAE Inc., delivers an all-in-one program on state-of-the-art aircraft, flight training devices, and full-flight simulators through which cadets can achieve their Integrated Airline Transport Pilot License and acquire an airline specific type rating over a 20-month program.

As of March 31, 2023, the Corporation purchased and cancelled 8,263,909 Common Shares since the start of its normal course issuer bid (the "**NCIB**") on November 14, 2022 and 6,544,937 Common Shares since December 31, 2022. The NCIB allows for the purchase and cancellation of up to a maximum of 15,928,236 Common Shares. The NCIB expires on the earlier of the date on which the Corporation has purchased the maximum number of shares permitted under the NCIB and November 13, 2023 (refer to Section 8 - Capital Structure).

First Quarter Summary

In the first quarter of 2023, Chorus reported Adjusted EBITDA of $118.1 million, an increase of $34.8 million over the first quarter of 2022.

The RAL segment's Adjusted EBITDA was $61.6 million, a quarter-over-quarter increase of $29.9 million primarily due to Falko's earnings inclusive of $6.7 million due to the recognition of non-reimbursable end-of-lease maintenance reserves.

The RAS segment's Adjusted EBITDA was $63.9 million, an increase of $6.5 million over the first quarter of 2022. First quarter results were impacted by:

- an increase in other revenue of $6.7 million due to an increase in parts sales, third-party MRO activity and contract flying; and
- an increase in aircraft leasing revenue under the CPA of $2.4 million primarily due to a higher US dollar exchange rate; offset by
- an increase in general administrative expenses attributable to increased operations;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.9 million; and
- a decrease in contracted Fixed Margin of $0.8 million.

Corporate Adjusted EBITDA or net expenses of $7.4 million were higher than the first quarter of 2022 by $1.6 million due to:

- an increase in general administrative expenses related to higher professional fees, salaries, wages and benefits and travel expenses.

Adjusted net income was $30.8 million for the quarter, an increase of $13.1 million over the first quarter of 2022 due to:

- a $34.8 million increase in Adjusted EBITDA as previously described; and
- a change in net foreign exchange of $2.1 million; partially offset by
- an increase in depreciation expense of $13.0 million primarily attributable to Falko and capital expenditures in 2022;
- an increase of $5.4 million in income tax expense; and
- an increase in net interest costs of $5.4 million primarily related to interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility, partially offset by the redemption of the 6.00% Debentures in December 2022.

Net income increased $9.1 million over the first quarter of 2022 primarily due to:

- the previously noted increase in Adjusted net income of $13.1 million; and
- a decrease in strategic advisory fees of $2.7 million; partially offset by
- an increase in lease repossession costs of $3.7 million;
- a decrease in net unrealized foreign exchange gains of $2.5 million; and
- a decrease in income tax recoveries on adjusted items of $0.2 million.

2 ABOUT CHORUS

Chorus is a leading, global aviation solutions provider and asset manager, focused on regional aviation. Chorus' principal subsidiaries are: Falko Regional Aircraft, the leading pure play regional aircraft asset manager and lessor, and managing investments on behalf of third-party fund investors; Jazz Aviation, the largest regional operator in Canada and the sole provider of regional air services under the Air Canada Express brand; Voyageur Aviation, a leading provider of specialty charter, aircraft modifications, parts provisioning and in-service support services; and Cygnet Aviation Academy, an industry leading accredited training academy preparing pilots for direct entry into airlines.

Together, Chorus’ subsidiaries provide services that encompass every stage of a regional aircraft’s lifecycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, repurposing and transition; contract flying; aircraft and component maintenance, disassembly, and parts provisioning; and pilot training.

Corporate expenses include various debt instruments, such as interest on the 6.00% Debentures, the Series A Debentures, the Series B Debentures, the Series C Debentures, Unsecured Credit Facility, Unsecured Revolving Operating Credit Facility and Operating Credit Facility, executive and stock-based compensation and professional fees.

Chorus groups its businesses into two reporting segments:

1) **Regional Aviation Services**: This segment includes all four sectors of the regional aviation industry in which Chorus currently operates (described below).

   a) Contract flying: Chorus provides contract flying services, commonly referred to as "wet leasing" through two of its wholly-owned subsidiaries: Jazz and Voyageur. Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada through its scheduled services under the CPA with Air Canada than any other Canadian airline. Air Canada makes all decisions with respect to flight scheduling and ticket sales, and bears all of the market risk associated with fluctuations in passenger ticket revenues.

   Voyageur provides charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

   b) Aircraft leasing: Jazz currently earns leasing revenue under the CPA from 48 wholly-owned aircraft and five spare engines. Voyageur also earns revenue from aircraft leasing.

   c) MRO, part sales and technical services: Jazz provides 24/7 MRO services and is certified on Dash 8, CRJ, and Embraer 135, 145 and 175 aircraft. Voyageur provides specialty, MRO and engineering services on Dash and CRJ aircraft. Voyageur also focuses on aircraft disassembly, aircraft parts provisioning and sales offering for its global customers.

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

Jazz earns margin under the CPA in three ways:

1. *Fixed Margin*

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

2. *Performance Incentives*

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

3. *Aircraft leasing under the CPA*

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

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

a) *Controllable Cost Revenue*

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

b) *Pass-Through Revenue*

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

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

Aircraft fleet under the CPA

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

2) Regional Aircraft Leasing: In the second quarter of 2022, Chorus completed the Falko Acquisition, significantly increasing RAL's portfolio of leased aircraft. Chorus rebranded its leasing business from "Chorus Aviation Capital" to "Falko Regional Aircraft". The acquisition of Falko broadened RAL's revenue streams by adding fees for managing aircraft fully or partially-owned by third parties (referred to in this MD&A as "Managed Aircraft") (refer to Section 5 - Fleet). RAL earns income as follows:

a) Earnings from Managed Aircraft

i) <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 is focused on providing a comprehensive suite of regional and specialty aviation services to customers around the world by drawing on its deep expertise in all areas of regional aviation operations. Regional aircraft are a strong asset class that are well suited to variable demand environments, supported by core global operators, are generally built to order and generate returns that have historically outperformed larger classes of aircraft.

The Chorus team is highly experienced in all facets of the regional aviation industry and offers aircraft leasing in addition to providing an integrated suite of flying operations, including special mission services, maintenance, repair and overhaul modifications, and parts provisioning to regional aircraft owners and operators around the world. These capabilities differentiate Chorus from its competition.

Chorus completed the Falko Acquisition in the second quarter of 2022, which included the Falko asset management platform and equity interests in aircraft owned or managed by Falko (refer to Section 2 - About Chorus).

The Falko Acquisition provides Chorus with increased scale and diversity in regional aircraft leasing and the transition to a higher quality cash flow stream in the form of asset management fees. The Falko and CAC management teams have been integrated to benefit from economies of scale and to pursue new growth opportunities as the demand for regional aircraft continues to strengthen. The Falko team has deep experience and an excellent track record in raising capital, both equity and debt, and deployment of capital to generate mid-teens gross returns for fund investors. Chorus intends to transition its regional aircraft leasing business to an asset light model utilizing third party equity to acquire and lease regional aircraft to airline customers globally and earning asset management fees and incentives from this managed capital. In addition, Chorus will make co-investments in the funds to provide further earnings growth. In particular, the newly-combined leasing business is expected to:

1) Provide a less capital intensive approach to growing the regional aircraft leasing business.
2) Provide higher quality cash flow streams in the form of asset management fees.
3) Reduce leverage and balance sheet risk, thereby improving cash flow generation.
4) Enable Chorus to better serve the needs of its leasing customers by deploying larger tranches of equity capital alongside third-party fund investors.

Chorus currently generates strong and predictable earnings from its RAS businesses, which are predominantly contract based. As Chorus executes on its transition to an asset light leasing model, Chorus expects to generate significant cash flows that will enable the return of capital to Shareholders in the form of share buybacks and/or dividends and re-investment in accretive regional and specialty aviation businesses.

4 OUTLOOK

The discussion that follows includes forward-looking information. This outlook is provided for the purpose of providing information about current expectations for 2023. This information may not be appropriate for other purposes (refer to Section 25 - Caution Regarding Forward-Looking Information).

Chorus has the key elements to successfully execute on its strategy to transition to an asset light leasing model while growing its contractual fund management business and its RAS segment. The key elements include:

- Strong and predictable core earnings from the RAS segment, with the potential to expand into adjacent and complementary business lines;
- Significant wholly-owned or majority-owned aviation assets that can be monetized to reduce debt and return capital to Common Shareholders while also providing funding to improve the growth and return profile of the business over time through accretive investments; and
- Growth potential in the Falko series of funds from which Chorus can generate attractive returns via asset management fees, co-investment returns and incentive payments.

The asset light leasing model will enable Chorus to achieve greater scale in its leasing business by co-investing alongside third-party equity investors in Falko-managed funds, while decreasing risk to Chorus by reducing the use of recourse debt financing. As Chorus transitions to an asset light leasing model, asset sales will generate Free Cash Flow that can be deployed to pursue accretive investment opportunities and/or return capital to Common Shareholders. As part of this asset light transformation, Chorus is targeting:

- **Aircraft asset sales**: Chorus intends to opportunistically trade RAL's wholly-owned or majority-owned aircraft including in connection with the windup of its 67.45% ownership in Ravelin Holdings LP by its tenth anniversary in 2025. As of March 31, 2023, Ravelin Holdings LP held an interest in 39 aircraft with a net book value of US $402.5 million and secured debt of US $212.9 million. As asset sales occur, the related leasing revenues in RAL will decrease, which will be partially offset by lower depreciation and debt servicing costs and earnings from Falko managed funds.
- **Reduced leverage**: Chorus anticipates its Leverage Ratio will be between 2.5 to 3.5 by December 31, 2024, given the contractual nature of Chorus' earnings, amortizing debt repayments, and expected asset sales. Deleveraging amounts will vary from quarter-to-quarter depending on the timing and quantum of asset sales.
- **Growth**: Chorus intends to expand the number of Falko managed funds and the RAS business into adjacent and complimentary specialty aviation business lines.

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Chorus' forecast for the year ending December 31, 2023 is as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	**Consolidated**	
	From $	**To** $
Revenue(1)(2)	1,500,000	1,700,000
Adjusted EBITDA(1)(3)	410,000	450,000
Adjusted EBT(1)(3)	135,000	165,000
Net debt to Adjusted EBITDA(1)(3)	3.6x	4.0x
Free Cash Flow(3)	260,000	330,000

(1) RAL's forecast for the year ending December 31, 2023 is as follows: Revenue is expected to be between $240.0 million and $260.0 million, Adjusted EBITDA is expected to be between $210.0 million and $235.0 million and Adjusted EBT is expected to be between $70.0 million and $85.0 million.
(2) Controllable Costs and Pass-Through Costs are expected to be between $0.95 billion and $1.1 billion included in both revenue and expenses.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

<u>2023 Key Economic Assumptions:</u>

- The forecast assumes the launch in the first half of 2023 of a new investment fund managed by Falko with (i) a minimum of US $500.0 million in capital commitments and (ii) management fees and economic terms commensurate with those in Falko's prior funds.
- The forecast revenue is based on current contracted lease revenue and forecasted revenues for leased aircraft and asset management fees. Aircraft leasing revenue under the CPA and Fixed Margin revenue is expected to be US $110.0 million and $63.0 million, respectively, in 2023 (2022: US $114.5 million and $66.3 million, respectively).
- Asset sales of approximately US $50.0 million to $100.0 million in 2023 with a loan-to-value of between 50% and 60% generating net proceeds between US $25.0 million and US $50.0 million. If material asset sales are executed in 2023, this may reduce expected revenue in RAL, depending on the timing of such sales.
- The forecast uses a foreign exchange rate of 1.30 for 2023 to translate USD to CAD revenue.

RAL's gross lease receivable may decrease from the March 31, 2023 balance of US $109.9 million to between US $95.0 million and US $100.0 million by the end of 2023 due to rent relief arrangements[1] and repayment expectations (refer to Section 21 - RAL Receivables).

RAL's lease deferral receivable exposure is partially mitigated by security packages held of approximately US $18.2 million (December 31, 2022 - US $17.1 million).

1 Following the onset of the COVID-19 pandemic, RAL received requests from many of its customers for some form of temporary rent relief, as they coped with an unprecedented reduction in demand for passenger air travel. Under rent relief arrangements, certain of which include lease term extensions, the repayment of the deferred amounts typically coincides with the lease term extensions.

Capital Expenditures

Capital expenditures in 2023 are expected as follows:

(unaudited) (expressed in thousands of Canadian dollars)	Planned 2023[1] $	Actual Three months ended March 31, 2023 $	Actual Year ended December 31, 2022 $
Capital expenditures, excluding aircraft acquisitions	26,000 to 32,000	3,161	15,914
Capitalized major maintenance overhauls[2]	5,000 to 10,000	3,599	15,974
Aircraft acquisitions and improvements	5,000 to 8,000	2,142	30,392
	36,000 to 50,000	8,902	62,280

(1) The 2023 plan includes reconfiguration costs on aircraft and certain aircraft improvements which have been converted to Canadian from US dollars using a foreign exchange rate of 1.3533, the March 31, 2023 closing day rate from the Bank of Canada.
(2) The 2023 plan includes between $3.0 million to $5.0 million of costs that are expected to be included in Controllable Costs. Actual 2023 and 2022 costs include $1.9 million and $10.1 million, respectively, which were included in Controllable Costs.

5 FLEET

As of March 31, 2023, Chorus' owned, managed and/or operated aircraft are as follows:

	Company	Segment	Aircraft Count
Aircraft Lease Portfolio			
Wholly or majority-owned aircraft[1]	Falko	RAL	124
Managed Aircraft[2][3]	Falko	RAL	91
RAL segment total			215
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft lease portfolio subtotal			263
Other Owned and/or Operated Aircraft			
Leased aircraft under the CPA - other Covered Aircraft[4]	Jazz	RAS	58
Wholly-owned third-party leased and contract flying	Voyageur	RAS	22
Wholly-owned aircraft - non-operating[5]	Voyageur	RAS	17
RAS segment total[6]			145
Total			**360**

(1) FIL owns 62 of the 124 wholly or majority-owned aircraft.
(2) Chorus has a minority ownership interest in 57 aircraft and no ownership interest in 34 aircraft.
(3) RAL's total aircraft increased from the fourth quarter of 2022 due to the purchase of four and a sale of one Managed Aircraft at a 3.85% ownership.
(4) Excludes eight aircraft leased to Jazz which were acquired as part of the Falko Acquisition.
(5) Includes two Dash 8-100s and 15 Dash-300s.
(6) Inclusive of 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, 2023:

Customer	Aircraft Type	Ownership %	Total Owned Aircraft #
Aeromexico	E190	100.00%	3
Air Austral S.A.	ATR72-500	67.45%	2
Air Canada	CRJ200	100.00%	7
Air Nostrum	CRJ1000	100.00%	4
AirBaltic	A220-300	100.00%	5
Airlink	E190	67.45%	5
Azul	ATR72-600	100.00%	3
	E190	67.45%	3
	E190	100.00%	4
	E195	100.00%	2
BA City Flyer	E190	67.45%	2
CityJet	CRJ900	100.00%	8
Croatia Airlines	Dash 8-400	67.45%	2
	Dash 8-400	100.00%	2
Emerald	ATR72-600	100.00%	6
Ethiopian	Dash 8-400	100.00%	5
HOP!	E190	67.45%	2
Indigo	ATR72-600	100.00%	8
JamboJet	Dash 8-400	100.00%	3
KLM Cityhopper	E190	100.00%	1
	E190	67.45%	4
National Jet Express	E190	67.45%	1
	Dash 8-400	100.00%	1
Philippine Airlines	Dash 8-400	100.00%	2
Republic	E170	100.00%	5
SAS	E195	67.45%	6
Sky Alps	Dash 8-400	100.00%	2
TUI Belgium	E190	67.45%	1
Waltzing Matilda	Dash 8-400	100.00%	2
Wings Air	ATR72-500	67.45%	10
	ATR72-600	100.00%	5
Off-lease(1)(2)	Dash 8-400/E190	100.00%	7
	E190	67.45%	1
			124

(1) Falko entered into an agreement for the return of all five Dash 8-400s on lease to SpiceJet. Chorus recorded aircraft impairments, restructuring expected credit loss provisions and lease repossession charges in the second quarter of 2022 related to these aircraft in the event the aircraft were repossessed. The 2023 forecast provided at year end included the estimated impact of these repossessions (refer to Section 4 - Outlook).

(2) Falko had eight off-lease aircraft as of March 31, 2023, three of which were off-lease as of December 31, 2022.

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

Customer	Aircraft Type	#	Ownership %
American Airlines	CRJ-700	3	3.85%
Azul	E190	6	3.85%
Blue Island	ATR72-500	1	3.85%
Croatia Airlines	Dash 8-400	2	3.85%
Delta	CRJ900	11	3.85%
Indigo	ATR72-600	5	3.85%
Jazz	CRJ900	1	3.85%
Logan Air	ATR72-500	1	9.09%
LOT	E170	6	3.85%
Porter	E190	4	3.85%
Republic	E170	3	3.85%
Saimer	CRJ1000	2	3.85%
Skytrans	Dash 8-100	2	3.85%
US Bangla	ATR72-600	1	3.85%
Off-lease	E170	4	3.85%
	E190	5	3.85%
Financial institutions	32 ATRs; 2 Dash 8-400	34	nil
		91	

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Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at March 31, 2023:

	#	Owned
Covered Aircraft Leased Under the CPA		
Dash 8-400	34	34
CRJ900	14	14
Total Covered Aircraft Leased Under the CPA	48	48
Other Covered Aircraft		
CRJ200[(1)]	15	—
CRJ900[(1)]	21	—
Dash 8-400	5	—
E175	25	—
Total Other Covered Aircraft	66	—
Leased from Falko	(8)	—
Total Aircraft	58	—
Voyageur Aircraft		
CRJ200	7	7
King Air 200	2	2
Dash 8-100[(2)]	4	4
Dash 8-300[(3)]	8	8
Dash 8-400	1	1
Total Voyageur Aircraft	22	22
Non-Operational Aircraft		
Dash 8-100	2	2
Dash 8-300	15	15
Total Non-Operational Aircraft	17	17
Total Regional Aviation Services	145	87

(1) Includes eight aircraft leased from Falko. Seven CRJ200s are wholly-owned by Falko and are leased to Air Canada and then further sub-leased to Jazz and one CRJ900 which is managed by Falko is also leased to Jazz.
(2) Includes four aircraft leased to a third party.
(3) Includes six aircraft leased to a third party.

6 CONSOLIDATED FINANCIAL ANALYSIS

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

	Three months ended March 31,			
(unaudited) *(expressed in thousands of Canadian dollars)*	**2023** $	**2022** $	**Change** $	**Change** %
Operating revenue	415,252	342,380	72,872	21.3
Operating expenses	353,349	299,068	54,281	18.2
Operating income	61,903	43,312	18,591	42.9
Net interest expense	(25,458)	(20,054)	(5,404)	26.9
Foreign exchange gain	4,031	4,449	(418)	(9.4)
Gain on fair value of investments	1,892	—	1,892	100.0
Income before income tax	42,368	27,707	14,661	52.9
Income tax expense	(10,349)	(4,800)	(5,549)	115.6
Net income	32,019	22,907	9,112	39.8
Net income attributable to non-controlling interest	490	—	490	100.0
Net income attributable to Shareholders	31,529	22,907	8,622	37.6
Preferred share dividends declared	(8,871)	—	(8,871)	(100.0)
Earnings attributable to Common Shareholders	22,658	22,907	(249)	(1.1)
Adjusted EBITDA(1)	118,056	83,280	34,776	41.8
Adjusted EBT(1)	41,789	23,346	18,443	79.0
Adjusted net income(1)	30,824	17,743	13,081	73.7

(1) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

For the three months ended March 31, 2023, consolidated operating revenue increased 21.3%, compared to the same period last year. Increased revenue in the RAS segment was primarily attributable to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales, MRO activity and contract flying. The increased revenue in the RAL segment was primarily attributable to Falko.

Operating expenses increased 18.2% for the three months ended March 31, 2023 compared to the same period last year primarily due to higher salaries, wages and benefits due to higher FTE counts, increased costs related to part sales, increased Pass-Through Costs, increased lease repossession costs, and increased operating expenses related to Falko.

Net interest expense increased 26.9% for the three months ended March 31, 2023 compared to the same period last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition and the draw on the Operating Credit Facility partially offset by the redemption of the 6.00% Debentures in December 2022.

Foreign exchange gains decreased for the three months ended March 31, 2023 compared to the same period last year primarily related to a decrease in unrealized foreign exchange gains on long-term debt offset by unrealized

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foreign exchange gains on intercompany loans and working capital. The March 31, 2023 closing exchange rate was 1.3533 compared to 1.3544 at December 31, 2022.

Gain on fair value of investments increased for the three months ended March 31, 2023 compared to the same period last year related to Chorus' 3.85% investment in Fund II.

Income tax expense increased for the three months ended March 31, 2023 compared to the same period last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange losses.

7 SEGMENTED ANALYSIS

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

	For the three months ended March 31, 2023				For the three months ended March 31, 2022			
(unaudited) *(in thousands of Canadian dollars)*	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Corporate $	Total $
Operating revenue	339,428	75,621	203	415,252	306,264	35,821	295	342,380
Operating expenses	298,223	47,444	7,682	353,349	269,197	20,986	8,885	299,068
Operating income (loss)	41,205	28,177	(7,479)	61,903	37,067	14,835	(8,590)	43,312
Net interest expense	(4,089)	(15,857)	(5,512)	(25,458)	(4,858)	(7,875)	(7,321)	(20,054)
Foreign exchange gain (loss)	2,878	1,482	(329)	4,031	7,619	(3,233)	63	4,449
Gain on fair value of investments	—	1,892	—	1,892	—	—	—	—
Earnings (loss) before income tax	39,994	15,694	(13,320)	42,368	39,828	3,727	(15,848)	27,707
Income tax (expense) recovery	(11,513)	(2,432)	3,596	(10,349)	(8,070)	(1,008)	4,278	(4,800)
Net income (loss)	**28,481**	**13,262**	**(9,724)**	**32,019**	**31,758**	**2,719**	**(11,570)**	**22,907**
Net income attributable to non-controlling interest	—	490	—	490	—	—	—	—
Net income (loss) attributable to Shareholders	28,481	12,772	(9,724)	31,529	31,758	2,719	(11,570)	22,907
Operating income (loss)	41,205	28,177	(7,479)	61,903	37,067	14,835	(8,590)	43,312
Depreciation and amortization excluding impairment(1)	22,378	27,214	67	49,659	20,330	16,257	62	36,649
Lease repossession costs(1)	—	4,303	—	4,303	—	646	—	646
Strategic advisory fees(1)	—	—	—	—	—	—	2,673	2,673
Gain on fund investments	—	1,901	—	1,901	—	—	—	—
Employee separation program(1)	290	—	—	290	—	—	—	—
Adjusted EBITDA(2)	**63,873**	**61,595**	**(7,412)**	**118,056**	**57,397**	**31,738**	**(5,855)**	**83,280**
Earnings (loss) before income tax	39,994	15,694	(13,320)	42,368	39,828	3,727	(15,848)	27,707
Lease repossession costs(1)	—	4,303	—	4,303	—	646	—	646
Strategic advisory fees(1)	—	—	—	—	—	—	2,673	2,673
Unrealized foreign exchange (gain) loss	(3,830)	(1,585)	243	(5,172)	(9,860)	2,973	(793)	(7,680)
Employee separation program(1)	290	—	—	290	—	—	—	—
Adjusted EBT(2)	**36,454**	**18,412**	**(13,077)**	**41,789**	**29,968**	**7,346**	**(13,968)**	**23,346**

(1) Included in operating expenses.
(2) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

Operating Income

The RAS segment reported quarterly operating income of $41.2 million, an increase of $4.1 million compared to the same period last year.

The results for the quarter were impacted by:

- an increase in other revenue of $6.7 million due to an increase in parts sales, MRO activity and contract flying; and
- an increase in aircraft leasing revenue under the CPA of $2.4 million primarily due to a higher US dollar exchange rate; partially offset by
- an increase in general administrative expenses attributable to increased operations;
- a decrease in capitalization of major maintenance overhauls on owned aircraft of $0.9 million; and
- a decrease in contracted Fixed Margin of $0.8 million.

Non-Operating Expenses

Foreign exchange gains decreased for the three months ended March 31, 2023 compared to the same period last year. These changes are primarily unrealized and are related to US dollar loans and also includes foreign exchange on working capital. The March 31, 2023 closing exchange rate was 1.3533 compared to 1.3544 at December 31, 2022.

Adjusted EBITDA

Adjusted EBITDA increased $6.5 million for the three months ended March 31, 2023 compared to the same period last year primarily due to changes described above for operating income.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $893.8 million
- Approximately US $566.9 million in future contracted lease revenue[1,2]
- Current weighted average fleet age of 6.8 years[3]
- Current weighted average remaining lease term of 6.6 years[3]
- 100% of debt has a fixed rate of interest
- Current weighted average cost of borrowing of 3.35%

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 $28.2 million for the three months ended March 31, 2023, an increase of $13.3 million compared to the same period last year.

The quarter-over-quarter results were impacted by:

- an increase in revenue of $39.8 million primarily related to Falko consisting of $35.2 million in lease revenue inclusive of $6.7 million due to the recognition of non reimbursable end-of-lease maintenance reserves and $4.6 million in asset management fees; offset by
- increased expenses related to Falko; and
- increased depreciation expense related to capital expenditures incurred in 2022 on re-leased aircraft as well as a change in depreciation estimate on certain aircraft.

Non-Operating Expenses

Net interest expense increased for the three months ended March 31, 2023 compared to the same period last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition.

Gain on fair value of investments increased for the three months ended March 31, 2023 compared to the same period last year primarily related to a 3.85% investment in Fund II.

Adjusted EBT

Adjusted EBT increased by $11.1 million for the three months ended March 31, 2023 compared to the same period last year primarily due to Falko's earnings offset by increased depreciation expense.

Portfolio

Fleet *(as at March 31, 2023)*

- Fleet of 124 wholly or majority-owned aircraft
- Approximately US $794.2 million in future contracted lease revenue[1]
- RAL collected approximately 84.3% of lease revenue billed in the first quarter of 2023
- Current net book value of approximately US $1.6 billion
- Current weighted average fleet age of 8.3 years[2]
- Current weighted average remaining lease term of 4.7 years[2]
- The RAL segment has limited net exposure to changes in interest rates because 92.6% of its debt has fixed interest rates (inclusive of floating rate debt that is fixed through the use of swaps)
- Current weighted average cost of borrowing of 4.77%

1 Refer to Section 25 - Caution Regarding Forward-Looking Information.
2 Fleet age and remaining lease term is calculated based on the weighted-average of aircraft net book value.

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily of Common Shares, Preferred Shares and debt consisting of Series A Debentures, Series B Debentures, Series C Debentures, senior secured amortizing facilities, revolving loan facilities, lease liabilities and loans under the Regional 2021-1ABS.

Chorus' objective when managing its capital structure is to maintain adequate liquidity and flexibility, while obtaining the lowest cost of capital available. It manages foreign exchange and interest rate risk in its capital structure by borrowing when appropriate in currencies other than the Canadian dollar to align with underlying revenue streams and fixing interest rates on its debt.

Chorus uses debt to lower its cost of capital. The amount of debt available to Chorus is a function of earnings and/or equity, tangible asset backing, ability to service the debt and market accepted norms for businesses in this sector. Chorus' target Leverage Ratio is 2.5x to 3.5x 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, 2023 and December 31, 2022.

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2023** **$**	**December 31 2022** **$**	**Change** **$**
Equity			
Capital	784,555	788,698	(4,143)
Contributed surplus	1,034,625	1,037,801	(3,176)
Deficit	(677,595)	(702,412)	24,817
Exchange differences on foreign operations	28,131	28,437	(306)
Equity component of Convertible Units/debentures	2,683	2,683	—
Warrants	24,366	24,366	—
	1,196,765	1,179,573	17,192
Long-term debt	1,979,241	2,018,967	(39,726)
Lease liabilities	10,332	11,309	(977)
Total capital	3,186,338	3,209,849	(23,511)

As at April 30, 2023 and December 31, 2022, the issued and outstanding shares of Chorus were as follows:

(unaudited)	**April 30, 2023**	**December 31, 2022**
Total issued and outstanding Common Shares	194,787,079	201,332,016
Common Shares potentially issuable		
Stock-based compensation plans	7,144,024	5,643,765
Total outstanding and potentially dilutive Common Shares	201,931,103	206,975,781
Total issued and outstanding Preferred Shares	300,000	300,000

In addition, and subject to adjustment in certain circumstances:

- up to 11,417,322 Common Shares are issuable at a price of $6.35 per Common Share upon conversion of the Series B Debentures by the holders thereof; and
- up to 18,642,772 Common Shares are issuable at a price of $4.60 per Common Share upon the exercise of the 2022 Warrants.

On November 9, 2022, the Corporation announced that the TSX had accepted the Corporation's notice (the "**Notice**") to make a NCIB to purchase for cancellation up to a maximum of 15,928,236 of its Common Shares, representing 10% of the public float of the Common Shares as of November 7, 2022, calculated in accordance with the TSX rules. The Corporation filed a Material Change Report in relation to the NCIB on November 18, 2022, which is available under the Corporation's profile on SEDAR at www.sedar.com. The Corporation has purchased and cancelled 8,263,909 Common Shares between the start of the NCIB on November 14, 2022 and March 31, 2023. Security holders may obtain a copy of the Notice, without charge, by contacting the Corporation.

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.sedar.com.

The Preferred Shares are non-voting shares (except that they have the right to vote separately as a class on the matters contemplated by section 176 of the Canada Business Corporations Act and in other specified circumstances as set out in the terms of the Preferred Shares). The Preferred Shares carry a dividend entitlement of 8.75% per annum in cash or 9.5% per annum in kind, payable quarterly. The dividend rate increases each year by 1% per annum in cash, 1.5% per annum in kind, starting on the sixth anniversary of the issuance up to a cap of 14.75% per annum in cash and 15.5% per annum in kind. The Preferred Shares are subject to a 2% per annum dividend rate increase in the event of a continuing event of default. The Corporation has a one-time option to redeem 50% of the Preferred Shares at any time, and an option to redeem all of the Preferred Shares, subject in each case to the payment of multiples on the subscriber's invested capital of (a) any time prior to the third anniversary of the original issue date of the Preferred Shares (the "**Issue Date**"), 1.4x; (b) starting on the third anniversary of the Issue Date until the sixth anniversary of the Issue Date, 1.6x; and (c) on or after the sixth anniversary of the Issue Date, 0x. The holders of the Preferred Shares have a put right in the event of change of control or the disposition by the Corporation of a material business or the acquisition by the Corporation and/or entry into of a new unrelated business line that fundamentally changes the nature of the business of the Corporation. The terms of the Preferred Shares are set out in the Corporation's Restated Articles of Incorporation dated August 16, 2022, a copy of which is available under the Corporation's profile on SEDAR at www.sedar.com 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.sedar.com.

Long-term debt

Long-term debt consists of the following:

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2023** **$**	**December 31, 2022** **$**
Secured long-term debt and credit facilities(1)		
Amortizing term loans		
Secured by aircraft	1,248,175	1,293,761
Secured by engines	4,172	4,507
Warehouse credit facility	79,303	85,847
Nova Scotia Jobs Fund loan - secured by office building	5,000	5,000
Asset backed securitization	297,374	309,665
Operating Credit Facility	40,000	—
	1,674,024	1,698,780
Unsecured long-term debt(1)		
Series A Debentures	86,250	86,250
Series B Debentures	72,500	72,500
Series C Debentures	85,000	85,000
Unsecured Credit Facility	84,581	101,580
	2,002,355	2,044,110
Less:		
Deferred financing fees	(11,984)	(12,816)
Accretion discount on amortizing term loans and asset backed securitization	(9,277)	(10,348)
Accretion discount on Convertible Units and debentures	(1,853)	(1,979)
	1,979,241	2,018,967
Less: Current portion(2)	338,833	340,308
	1,640,408	1,678,659

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at 1.3533 which was the exchange rate in effect at closing on March 31, 2023 (December 31, 2022 - 1.3544).

(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.4 million and interest accretion of $3.8 million, respectively for the period ended March 31, 2023 (December 31, 2022 - $1.5 million and $3.9 million, respectively).

The principal attributes of Chorus' long-term debt facilities are summarized below. Such summaries are qualified in their entirety by the specific terms and conditions of the relevant indentures and agreements. For full details, of the terms of the Series A Debentures, the Series B Debentures, the Series C Debentures and the Operating Credit Facility, please refer to the relevant agreements and indentures which are available under the Corporation's profile on SEDAR at www.sedar.com.

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 4.07%, maturing between May 2023 and February 2033, each secured primarily by the aircraft and engines financed by the loans, as well as an assignment of any leases in respect thereof.

FIL's amortizing term loans for aircraft require the principal amount to be repaid prior to maturity if the aircraft comes off-lease and is not re-leased in accordance with the loan's requirements within a prescribed remarketing period ranging from six to 24 months (depending on the loan). FIL currently has three 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 4.27%, maturing between December 2024 and May 2028, each secured primarily by one PW150A engine.

Chorus' aircraft warehouse credit facility includes a series of term loans repayable in instalments, bearing floating interest at a weighted average rate of 8.03%, 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 5.32%.

Chorus has an office building loan that is repayable in annual instalments of $1.0 million, bearing interest at a fixed rate of 3.33%, and matures on August 31, 2027. The loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases.

Asset backed securitization

As part of the Falko Acquisition completed on May 3, 2022, Chorus indirectly acquired a majority interest in the equity note issued by Regional 2021-1 Limited to Regional 2021-1 E Holding Limited (the "**E Note**") in connection with an asset-backed securitization of 39 regional aircraft which closed in April 2021 (the "**Regional 2021-1 ABS**"). In addition to issuing the equity note, Regional 2021-1 Limited and its wholly-owned subsidiary, Regional 2021-1 LLC (collectively, the "**ABS Borrowers**"), co-borrowed US $255.0 million of Series A Loans (the "**Series A Loans**"). Chorus has an interest in the aircraft owned by the Co-Borrowers and their subsidiaries by virtue of its indirect interest in the E Note.

These Series A Loans amortize on a straight-line basis based on the aircraft type that ranges from eight to 11 years, bear interest at 5.75% and are secured by 39 regional aircraft.

The Series A Loans are subject to priority of payment provisions and financial tests that could result in, among other things, requirements to replenish a liquidity facility, requirements to replenish maintenance reserve and security deposit accounts as well as tests that could result in the restriction of cash, accelerated amortization, and/or cash sweeps.

Financial Covenants under amortizing term loans

A description of the principal financial covenants in Chorus' debt agreements is set out below:

Amortizing term loans have covenants which apply separately to the "**Jazz Group**" (comprising Jazz and Jazz Leasing Inc. and any entity controlled directly or indirectly by either of them) and subsidiaries of FIL and Falko (which hold aircraft acquired for lease to customers outside of Chorus).

- Falko has certain loans that are required to maintain a maximum loan to value ratio and a minimum debt service coverage ratio.
- The Jazz Group is required to maintain a maximum adjusted leverage and a minimum adjusted interest debt coverage ratio. The financing agreements with the lender also contain a covenant respecting the continuation of business under the CPA which is specific to Jazz as the operator of the financed Dash 8-400s, Dash 8-400 spare engines, and CRJ900s.
- Subsidiaries of FIL have entered into financing agreements in connection with the acquisition of aircraft. CACC, FIL and/or Jazz Leasing have guaranteed the indebtedness under a substantial number of these financing agreements. Under the terms of those financing agreements, the guarantors and/or the borrowers are required to maintain a minimum tangible net worth, observe a maximum consolidated total debt to tangible net worth ratio, observe debt-to-equity covenants, maintain a minimum cash balance, maintain minimum lease rent coverage ratios and/or refrain from paying dividends or other distributions if the debt covenants are breached. Furthermore, the indebtedness under certain of these financing agreements is cross-defaulted to payment defaults by Jazz Leasing under facilities under which Jazz Leasing is the borrower.

As at March 31, 2023, Chorus was in compliance with all of these financial covenants.

Furthermore, most amortizing term loans contain provisions that require the immediate repayment of all amounts outstanding thereunder if the borrower or any guarantor of the loan undergoes a change of control without the lender’s consent.

Series A Debentures

In December 2019, the Corporation issued $86.3 million aggregate principal amount of Series A Debentures, which bear interest at a rate of 5.75% per annum, mature on December 31, 2024 and can be repaid any time after December 31, 2023 at the principal amount plus accrued and unpaid interest.

The Series A Debentures are not convertible by the holders thereof into Common Shares at any time.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series A Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series A Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares at a price equal to 95% of the then Current Market Price (as defined in the indenture). In addition, and subject to the aforementioned conditions, the Corporation may, at its option, satisfy its obligation to pay interest on the Series A Debentures by delivering Common Shares to the trustee under the indenture governing the Series A Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $82.4 million, net of $3.9 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series A Debentures and amortized over the life of the debentures using the effective interest rate.

The Series A Debentures trade on the TSX under the symbol CHR.DB.A.

Series B Debentures

On April 6, 2021, the Corporation issued $72.5 million aggregate principal amount of Series B Debentures, which bear interest at a rate of 6.00% per annum, mature on June 30, 2026 and can be repaid any time after June 30, 2025 at the principal amount plus accrued and unpaid interest. Subject to adjustment in certain circumstances, the Series B Debentures are convertible at the holder's option into 157.4803 Common Shares per $1,000 principal amount of such debentures, initially representing a conversion price of $6.35 per Share. The net proceeds, after transactions costs, were $69.5 million. Transaction costs are capitalized and offset against the debt and equity portions of the Series B Debentures and amortized over the life of the debentures using the effective interest rate.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series B Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Series B Debentures, plus any accrued and unpaid interest, on redemption or at maturity through, in whole or in part, the issuance of Shares at a price equal to 95% of the then current market price (as defined in the indenture). In addition, subject to the aforementioned conditions, the Corporation may issue Shares to the trustee under the indenture for the Series B Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

The Series B Debentures trade on the TSX under the symbol CHR.DB.B.

Series C Debentures

In September 2021, the Corporation issued $85.0 million aggregate principal amount of Series C Debentures, which bear interest at a rate of 5.75% per annum, mature on June 30, 2027 and can be repaid any time after June 30, 2026 at the principal amount plus accrued and unpaid interest.

The Series C Debentures are not convertible by the holders thereof into Common Shares at any time.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series C Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series C Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares at a price equal to 95% of the then Current Market Price (as defined in the indenture). In addition, and subject to the aforementioned conditions, the Corporation may, at its option, satisfy its obligation to pay interest on the Series C Debentures by delivering Common Shares to the trustee under the indenture governing the Series C Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $81.2 million, net of $3.8 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series C Debentures and amortized over the life of the Series C Debentures using the effective interest rate.

The Series C Debentures trade on the TSX under the symbol CHR.DB.C.

Loan facilities

<u>Operating Credit Facility</u>

On January 27, 2023, Chorus amended the terms of its existing $100.0 million Operating Credit Facility to extend the maturity date to January 27, 2026 and add a $50.0 million uncommitted accordion feature. In March 2023, Chorus partially exercised the accordion feature under the committed operating credit facility, thereby increasing the limit from $100.0 million to $125.0 million and on May 5, 2023 Chorus exercised the remaining $25.0 million accordion feature under the committed Operating Credit Facility, thereby increasing the limit from $125.0 million to $150.0 million.

The Operating Credit Facility provides Chorus and certain designated subsidiaries including CACC, Jazz and Voyageur (collectively, the "**Credit Parties**") with a committed limit of up to $150.0 million, subject to a borrowing base calculation. Chorus has also provided letters of credit totaling $8.9 million that reduce the amount available under this facility.

The Operating Credit Facility is secured by all present and after-acquired personal property of the Credit Parties, excluding certain specified assets such as aircraft and engines and the equity securities of certain specified entities including CACC and its subsidiaries. Any outstanding balance under this facility is immediately repayable if the Corporation undergoes a change in control without the lender's consent. It contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio.

The facility bears interest for Canadian dollar advances at Canadian Prime plus 1.50% - 2.50% or BA Borrowing plus 2.50% - 3.50%, and for US dollar advances at Base Rate plus 1.50% - 2.50% or SOFR plus 2.50% - 3.50%.

The trustees (collectively, the "**Trustees**") under the indentures for the Series A Debentures, Series B Debentures, and Series C Debentures (collectively, the "**Unsecured Debentures**") entered into, in their capacity as trustee for and on behalf of the holders of the relevant Unsecured Debentures, intercreditor agreements (the "**Intercreditor Agreements**") with The Bank of Nova Scotia, in its capacity as administrative agent for and on behalf of the lenders under the Operating Credit Facility. The Intercreditor Agreements provide, among other things, that following the occurrence of a default (as defined in the Intercreditor Agreements) which is continuing or upon an insolvency or liquidation proceeding (as defined in the Intercreditor Agreements) involving the Corporation, all obligations under the Operating Credit Facility shall first be paid in full before payments are made to holders of Unsecured Debentures under or pursuant to the applicable indenture and as such, to the extent that any amounts remain outstanding under the Operating Credit Facility after realization upon the applicable security, any proceeds received by the Trustees on behalf of the holders of Unsecured Debentures may be required to be remitted to the administrative agent under the Operating Credit Facility until all amounts due under the Operating Credit Facility are paid in full. Copies of the Intercreditor Agreements are available under the Corporation's profile on SEDAR at www.sedar.com.

Unsecured Revolving Operating Credit Facility

On May 2, 2022, the Corporation entered into a US $30.0 million credit agreement for an Unsecured Revolving Operating Credit Facility which matured on February 2, 2023. No amounts had been drawn on the facility prior to its maturity.

Warehouse Credit Facility

The loans under this facility are repayable based on a 12-year straight-line full pay-out schedule, adjusted for the age of the aircraft at the time they were added to the facility, until they mature in January 2025. Chorus may prepay loans under this facility at any time in whole or in part, subject to a US $5.0 million minimum prepayment.

The facility bears interest at US dollar LIBOR plus 3.25% until January 2024 and LIBOR 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, 2023, Chorus was in compliance with these covenants.

Unsecured Credit Facility

In April 2020, the Corporation obtained a US $100.0 million Unsecured Credit Facility. The facility had a committed revolving availability period of two years from April 28, 2020 to April 28, 2022. Effective April 28, 2022, this facility automatically converted to a fixed, amortizing debt facility, and the indebtedness thereunder is repaid over eight equal instalments of US $12.5 million principal plus interest starting in July 2022 and ending in April 2024.

The Unsecured Credit Facility contains customary covenants and events of default, including restrictions on share repurchases and the payment of dividends exceeding $0.48 per Common Share per year, a mandatory prepayment upon the occurrence of a change of control of Chorus, an event of default that is triggered upon the acceleration of Chorus indebtedness in excess of US $10.0 million, and an event of default that is triggered upon an event of default under any other indebtedness owed by Chorus to the lender. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA. The Corporations' obligations to pay principal and interest under this facility rank at least pari passu in right of payment with all unsecured and unsubordinated indebtedness.

Total scheduled principal payments on long-term debt on March 31, 2023, excluding unamortized deferred financing fees and interest accretion, are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	$
No later than one year	344,024
Later than one year and no later than five years	1,369,767
Later than five years	288,564
	2,002,355

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, 2023, Chorus' largest lender held approximately 49% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes 9% under the Unsecured Credit Facility, FIL's subsidiaries owe approximately 41% under aircraft loans, and the Jazz Group owes approximately 50% 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 44% 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, 2023, the majority of Chorus' debt is not subject to interest rate volatility as it bears interest at fixed rates or at floating rates that are fixed via interest rate swaps. Excluding revolving debt facilities, at March 31, 2023, 91.4% of Chorus’ term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 8.6% 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, 2023, Chorus had ten interest rate swap agreements with notional amounts totaling $166.6 million (December 31, 2022 - $169.2 million). The fair value of interest rate swaps was as follows:

	As at	
(unaudited) *(in thousands of Canadian dollars)*	**March 31, 2023** **$**	**December 31, 2022** **$**
Other long-term assets		
Interest rate swaps	4,778	6,065

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

	Three months ended March 31,	
(unaudited) *(in thousands of Canadian dollars)*	**2023** **$**	**2022** **$**
Other comprehensive (loss) income		
(Loss) gain on changes in fair value of effective interest rate swaps, net of tax recovery (expense) of $147 (2022 - ($597))	(1,027)	4,184
Income statement		
(Loss) gain on ineffective interest rate swap	(123)	402

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 USD LIBOR rates are officially discontinued on June 30, 2023. As at March 31, 2023, Chorus had 15 loans which totaled $269.8 million and six derivative agreements which referenced notional amounts totaling $107.6 million that will be impacted by the transition from 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 (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 $54.8 million and US denominated financial liabilities was $500.5 million at March 31, 2023. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $4.5 million. A 1¢ change in the Euro versus Canadian dollar exchange rate would not have a material impact on unrealized gains or losses.

Equity Price Risk

Chorus has equity price risk exposure to Common Shares that it issues under its various stock-based compensation programs. To mitigate this risk, Chorus hedges the variability of its Common Share price effecting settlement under its various stock-based compensation programs with a Total Return Swap. The current swap is for 7.3 million Common Shares priced at $3.16 per Common Share and matures in March 2024. The Corporation does not apply hedge accounting to the Total Return Swap and as such, gains and losses arising from changes in its fair value are recognized in operating income in the period in which they arise. For additional information, please refer to notes 3(j) and 3(k), under the heading "Significant Accounting Policies", of the audited consolidated financial statements of the Corporation for the year ended December 31, 2022.

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

(unaudited) *(in thousands of Canadian dollars)*	**Three months ended March 31,** **2023** **$**	 **2022** **$**
Income statement		
(Loss) gain on total return swap	(466)	2,887

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, 2023, Chorus' liquidity was $164.4 million including cash of $88.2 million and $76.2 million of available credit under its Operating Credit Facility. Liquidity decreased from the fourth quarter of 2022 by $65.9 million primarily due to: scheduled payments on long-term debt, the expiry of the Unsecured Revolving Operating Credit Facility, repurchase of Shares under the NCIB and an investment in working capital; partially offset by strong cash flows from operations.

During the quarter, Chorus generated cash flow from operations of $67.3 million. Other key changes during the quarter which decreased cash were as follows:

- Scheduled debt repayment of $83.9 million;
- Repurchase of Common Shares under the NCIB of $22.0 million;
- Investment in working capital of $12.6 million;
- Capital expenditures of $8.9 million; and
- Payment of Preferred Share dividends of $8.8 million; partially offset by
- Operating Credit Facility draw of $40.0 million; and
- An increase in security deposits and maintenance reserves of $11.2 million.

At March 31, 2023, the Controllable Cost Guardrail receivable was $31.9 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, 2023 balance sheet was $200.8 million (December 31, 2022 - $228.9 million). The current portion of contracted aircraft operating lease receivables as at March 31, 2023 is estimated to be approximately $372.5 million converted to CAD at the March 31, 2023 rate of 1.3533. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a surplus of approximately $171.6 million. (Refer to Section 25 - Caution Regarding Forward-Looking Information.)

Leverage

As a result of Chorus' increase in the trailing 12-months Adjusted EBITDA of $34.8 million and a decrease in long-term borrowings, Chorus' Leverage Ratio improved to 4.0 at March 31, 2023 from 4.4 at December 31, 2022. (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, 2023 and March 31, 2022.

	Three months ended March 31,	
(unaudited) *(expressed in thousands of Canadian dollars)*	**2023** **$**	**2022** **$**
Cash provided by operating activities	67,253	41,676
Cash used in financing activities	(75,663)	(45,801)
Cash provided by (used in) investing activities	1,729	(18,199)
Cash flow from operating, financing and investing activities	(6,681)	(22,324)
Effect of foreign exchange rate changes on cash	279	(2,314)
Net change in cash during the periods	(6,402)	(24,638)
Cash and restricted cash – Beginning of periods	167,911	178,446
Cash and restricted cash – End of periods	161,509	153,808

Cash provided by operating activities

Chorus had cash inflows from operating activities of $67.3 million for the three months ended March 31, 2023, compared to cash inflows from operating activities of $41.7 million for the three months ended March 31, 2022. The increase was primarily due to an increase in operating income partially offset by an increase in investment in working capital primarily related to a decrease in accounts payable and accrued liabilities and current income tax payable; offset by a decrease in the receivable from Air Canada.

Cash used in financing activities

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 used in financing activities for the three months ended March 31, 2022 was $45.8 million, comprised primarily of payments on scheduled long-term borrowings of $44.6 million.

Cash provided by (used in) investing activities

Cash provided by investing activities for the three months ended March 31, 2023 was $1.7 million, which includes 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.

Cash used in investing activities for the three months ended March 31, 2022 was $18.2 million, which includes capital expenditures of $11.6 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and decreased security deposits and maintenance reserves of $7.2 million related to leased aircraft.

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,		
	2023 **$**	**2022** **$**	**Change** **$**
Capital expenditures, excluding aircraft acquisitions	3,161	1,409	1,752
Capitalized major maintenance overhauls	3,599	5,939	(2,340)
Aircraft acquisitions and improvements(1)	2,142	4,287	(2,145)
Total capital expenditures	8,902	11,635	(2,733)

(1) Includes reconfiguration costs on certain off-lease and re-leased aircraft.

Commitments for capital expenditures

Chorus does not have any material commitments for capital expenditures.

Dividends on Common Shares and Preferred Shares

Chorus does not currently pay a dividend on its Common Shares. Dividends are subject to the discretion of Chorus' Board of Directors.

On May 3, 2022, Chorus issued Preferred Shares to Brookfield. The Preferred Shares currently carry a dividend entitlement of 8.75% per annum in cash, payable quarterly or 9.5% per annum in kind, accrued quarterly. The Preferred Share dividends are declared quarterly and paid in US dollars in the following month.

For the three months ended March 31, 2023, the Corporation declared $8.9 million in Preferred Share dividends.

For the three months ended March 31, 2023, the Corporation paid $8.8 million in Preferred Share dividends.

10 RISK FACTORS

For a more detailed description of the possible risk factors associated with Chorus' business, including its dependence on the CPA, the aviation industry, the aircraft leasing business carried on by Falko, and the Voyageur business refer to Section 8 - Capital Structure of this MD&A, the Section entitled “Risk Factors” in Chorus’ Annual Information Form dated February 15, 2023 (which is deemed incorporated into this MD&A).

11 ECONOMIC DEPENDENCE

Chorus and Air Canada are parties to the CPA under which Air Canada currently purchases substantially all of Jazz's fleet capacity on the Covered Aircraft. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on the CPA (refer to Section 2 - About Chorus and note 22 of the audited consolidated financial statements of Chorus for the years ended December 31, 2022 and 2021).

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12 CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with GAAP requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include employee future benefits, depreciation and amortization of long-lived assets and impairment. These estimates are based on historical experience and management's best knowledge of current events and actions that Chorus may undertake in the future. By their nature, estimates and judgements may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates.[1]

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of revision and future periods if the revision affects both current and future periods.

[1] (Refer to Section 25 - Caution Regarding Forward-Looking Information.) The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the years ended December 31, 2022 and 2021.

13 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2022 consolidated financial statements except for the following:

Revenue from contracts with customers

Chorus recognizes revenue upon the transfer of control of promised goods or services to students, in an amount that reflects the consideration expected to be received for those goods or services. Chorus will generate vocational revenue through the provision of pilot training operations to domestic and international students. Revenue is recognized using a straight-line basis over the term of the training course.

Revenue for books and electronic equipment are recognized when delivered to the student. Revenue for license fees are recognized when the underlying license is provided to the students.

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 9 of Chorus' annual MD&A dated February 15, 2023. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, long-term 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.

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15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, long-term lease and deferral receivables and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as commodity taxes and deferred lease inducements, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

	As at March 31, 2023			As at December 31, 2022		
(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]	39,488	45,908	—	46,871	46,954	—
Investments						
Held for trading[3]	82	82	—	85	85	—
Third party[4]	374	374	—	374	374	—
Fund investment[4]	26,376	26,376	—	25,549	25,549	—
Other long-term assets						
Interest rate swaps[5]	4,778	4,778	—	6,065	6,065	—
Total return swap[5]	47	47	—	—	—	—
Long-term debt						
Amortizing term loans[6]	1,253,535	1,336,664	5,658	1,290,955	1,389,128	6,017
Asset backed securitization[6]	284,928	288,083	—	292,972	299,304	—
Series A Debentures[7]	82,584	86,250	1,491	81,722	86,250	1,690
Series B Debentures[7]	69,056	70,647	1,938	67,715	70,521	2,066
Series C Debentures[7]	73,100	85,000	2,897	71,825	85,000	3,043
Operating Credit Facility[8]	40,000	40,000	—	—	—	—
Unsecured credit facility[8]	83,169	84,581	—	99,657	101,580	—
Other long-term liabilities						
Total return swap[5]	—	—	—	3,813	3,813	—

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

16 RELATED PARTY TRANSACTIONS

As at March 31, 2023, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements or transaction that are otherwise not material.

17 CONTROLS AND PROCEDURES

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

The internal controls over financial reporting ("**ICFR**") have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In Chorus' 2022 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and operational effectiveness of both the DC&P and the ICFR.

In Chorus' first quarter 2023 filings, the CEO and CFO also certified, as required by National Instrument 52-109, the appropriateness of the financial disclosures, the design of both the DC&P and the ICFR based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

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

National Instrument 52-109 permits an issuer to limit its design of DC&P or ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period to which the certificate relates. As Falko was acquired in the second quarter of 2022, the CEO and CFO have limited the scope of their design of the Corporation's DC&P and ICFR to exclude controls, policies and procedures relating to Falko as they have not yet performed sufficient procedures to include Falko in the certifications. As at March 31, 2023, Falko had revenues of $39.7 million, assets of $1.0 billion and liabilities of $453.9 million.

There has been no change in Chorus' internal control over financial reporting that occurred during the first quarter of 2023 that has materially affected Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A and the unaudited interim condensed consolidated financial statements of Chorus for March 31, 2023 and approved these documents prior to their release.

18 NON-GAAP FINANCIAL MEASURES

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

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, signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, 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 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.

Adjusted EBT and 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 signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, 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 signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs 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 signing bonuses, employee separation program costs, strategic advisory fees, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment and integration costs, 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 signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs 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, 2023 $	2022 $	Change $
Net income	**32,019**	**22,907**	**9,112**
Add (Deduct) items to get to Adjusted net income			
Employee separation program[1]	290	—	290
Strategic advisory fees[1]	—	2,673	(2,673)
Lease repossession costs[1]	4,303	646	3,657
Unrealized foreign exchange gain	(5,172)	(7,680)	2,508
Tax recovery on adjusted items	(616)	(803)	187
	(1,195)	(5,164)	3,969
Adjusted net income	**30,824**	**17,743**	**13,081**
Add (Deduct) items to get to Adjusted EBT			
Income tax expense	10,349	4,800	5,549
Tax recovery on adjusted items	616	803	(187)
Adjusted EBT	**41,789**	**23,346**	**18,443**
Add (Deduct) items to get to Adjusted EBITDA			
Net interest expense	25,458	20,054	5,404
Depreciation and amortization excluding impairment	49,659	36,649	13,010
Foreign exchange loss	1,141	3,231	(2,090)
Loss on fair value of investments	9	—	9
	76,267	59,934	16,333
Adjusted EBITDA	**118,056**	**83,280**	**34,776**

(1) Included in operating expenses.

Adjusted earnings available to Common Shareholders per Common Share

(unaudited) (expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended March 31, 2023 $	2022 $	Change $
Adjusted net income	**30,824**	**17,743**	**13,081**
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(490)	—	(490)
Preferred Share dividends declared	(8,871)	—	(8,871)
Adjusted earnings available to Common Shareholders	**21,463**	**17,743**	**3,720**
Adjusted earnings available to Common Shareholders per Common Share - basic	**0.11**	**0.10**	**0.01**

Leverage Ratio

Leverage Ratio is used by Chorus as a means to measure financial leverage. Leverage Ratio is calculated by dividing Net debt by trailing 12-month Adjusted EBITDA. Leverage Ratio is not a recognized measure under GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when monitoring and managing debt levels. In addition, as leverage is a measure frequently analyzed for public companies, Chorus has calculated the amount to assist readers in this review. Leverage should not be construed as a measure of cash flows.

(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2023** **$**	**December 31, 2022** **$**	**Change** **$**
Long-term debt (including current portion)	1,989,573	2,030,276	(40,703)
Less:			
Cash	(88,247)	(100,027)	11,780
Net debt	1,901,326	1,930,249	(28,923)
Adjusted EBITDA	475,822	441,046	34,776
Leverage Ratio	4.0	4.4	(0.4)

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

Chorus' Leverage Ratio was 4.0 as at March 31, 2023, an improvement from its Leverage Ratio at December 31, 2022 of 4.4 primarily due to the earnings contribution of Falko and debt repayments as follows:

- As at March 31, 2023, net debt decreased by $28.9 million or 1.5% from December 31, 2022. The decrease was primarily related to payments on long-term borrowings of $83.9 million partially offset by a $40.0 million draw on the Operating Credit Facility.
- Adjusted EBITDA increased for the trailing 12-months ended March 31, 2023 compared to the trailing 12-months ended December 2022 primarily due to Falko's earnings contribution and an increase in parts sales, MRO activity and contract flying.

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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)*	**2023** **$**	**2022** **$**	**Change** **$**
Cash provided by operating activities	67,253	41,676	25,577
Add (Deduct)			
Net changes in non-cash balances related to operations	12,569	14,096	(1,527)
Capital expenditures, excluding aircraft acquisitions	(3,161)	(1,409)	(1,752)
Capitalized major maintenance overhauls	(3,599)	(5,939)	2,340
Free Cash Flow[(1)]	**73,062**	**48,424**	**24,638**

(1) During the quarter there were no net proceeds on asset sales.

Free Cash Flow was positively impacted by increased operating income for the three months ended March 31, 2023 due to:

- an increase in revenue primarily due to Falko's earnings contribution inclusive of $6.7 million due to the recognition of non reimbursable end-of-lease maintenance reserves; and
- increased other revenue of $6.7 million due to an increase in parts sales, MRO activity and contract flying.

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, Preferred Share dividends and cash.

	Trailing 12-months ended		
(unaudited) *(expressed in thousands of Canadian dollars)*	**March 31, 2023 $**	**December 31, 2022 $**	**Change $**
Adjusted Net Income	131,923	118,842	13,081
Add (Deduct) items to get to Adjusted earnings available to Common Shareholders			
Net income attributable to non-controlling interest	(3,517)	(3,027)	(490)
Preferred Share dividends declared	(31,773)	(22,902)	(8,871)
Adjusted Net Income available to Common Shareholders	96,633	92,913	3,720

Average equity attributable to Common Shareholders excluding cash			
Average Shareholders' equity	997,513	979,446	18,067
Add (Deduct) items to get to average equity attributable to Common Shareholders excluding cash			
Average Non-controlling interest	(44,819)	(44,425)	(394)
Average Preferred Shares	(187,608)	(187,608)	—
Average Cash	(99,138)	(111,800)	12,662
	665,948	635,613	30,335
Adjusted Return on Equity	14.5%	14.6%	(0.1)%

During the trailing 12-months ended March 31, 2023, the average return on equity decreased from the trailing 12-months ended December 31, 2022 to 14.5% primarily due to an increase in average Shareholders' equity primarily related to the Common Shares issued to Brookfield as part of the Falko Acquisition being outstanding for 11 months during the trailing 12-months ended March 31, 2023 versus eight months during the trailing 12-months ended December 31, 2022 combined with the impact of the decrease in average cash balances.

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 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**
Chorus								
Total revenue ($000)	415,252	439,755	421,326	392,343	342,380	346,516	274,399	199,873
Net income (loss) ($000)	32,019	45,852	23,561	(40,403)	22,907	10,159	(14,082)	21,517
Adjusted net income(1) ($000)	30,824	31,826	41,686	27,587	17,743	21,456	15,310	11,380
Adjusted earnings available to Common Shareholders(1) ($000)	21,463	22,263	31,185	21,722	17,743	21,456	15,310	11,380
Adjusted EBITDA(1) ($000)	118,056	129,542	123,353	104,871	83,280	90,463	78,081	76,855
Earnings (loss) available to Common Shareholders per Common Share, basic ($)	0.11	0.18	0.06	(0.24)	0.13	0.06	(0.08)	0.12
Earnings (loss) available to Common Shareholders per Common Share, diluted ($)	0.11	0.18	0.06	(0.24)	0.13	0.06	(0.08)	0.12
Adjusted earnings available to Common Shareholders,(1) per Common Share - basic ($)	0.11	0.11	0.15	0.11	0.10	0.12	0.09	0.06
FTE employees (end of period)	4,804	4,829	4,928	4,783	4,583	4,426	4,175	3,114
Number of aircraft (end of period)	360	357	366	381	233	234	234	234
Average foreign exchange rates (USD-CAD)	1.3518	1.3582	1.3048	1.2758	1.2666	1.2602	1.2596	1.2284
Jazz								
Departures	36,775	40,744	46,070	41,832	30,978	39,014	30,820	11,806
Block Hours	61,661	68,086	76,412	68,837	50,839	64,403	49,890	18,025
Billable Block Hours	65,149	71,727	81,224	72,816	58,444	66,400	51,250	21,039

(1) These are non-GAAP financial measures. Refer to Section 18 – Non-GAAP Financial Measures.

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20 REVENUE

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31,			
	2023 **$**	**2022** **$**	**Change** **$**	**Change** **%**
Controllable Cost Revenue	197,549	186,277	11,272	6.1
Pass-Through Revenue	56,953	43,233	13,720	31.7
	254,502	229,510	24,992	10.9
Fixed Margin	15,820	16,580	(760)	(4.6)
Incentive Revenue	584	680	(96)	(14.1)
Aircraft leasing under the CPA	38,639	36,275	2,364	6.5
Other(1)	29,883	23,219	6,664	28.7
	84,926	76,754	8,172	10.6
RAS Revenue	**339,428**	**306,264**	**33,164**	**10.8**
Lease revenue	71,025	35,821	35,204	98.3
Asset management fees	4,596	—	4,596	100.0
RAL Revenue	**75,621**	**35,821**	**39,800**	**111.1**
Other(2)	203	295	(92)	(31.2)
Corporate Revenue	**203**	**295**	**(92)**	**(31.2)**
Total Revenue	**415,252**	**342,380**	**72,964**	**21.3**

(1) Other primarily relates to Voyageur and includes charter, contract flying, MRO and other.
(2) 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, 2023**	**As at December 31, 2022**
	Total **$**	**Total** **$**
Total gross receivables	148,713	141,862
Allowance for expected credit loss	(29,408)	(27,009)
Total net receivables	119,305	114,853
Total gross receivables - US dollars	109,889	104,741
Total net receivables - US dollars	88,158	84,799

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22 CONSOLIDATED STATEMENTS OF INCOME

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended March 31, **2023** **$**	 **2022** **$**
Operating revenue	415,252	342,380
Operating expenses		
Salaries, wages and benefits	132,117	120,133
Depreciation, amortization and impairment	49,659	36,649
Aircraft maintenance materials, supplies and services	72,100	63,998
Airport and navigation fees	37,081	33,649
Terminal handling services	5,762	3,712
Other	56,630	40,927
	353,349	299,068
Operating income	61,903	43,312
Non-operating (expenses) income		
Interest revenue	1,483	144
Interest expense	(26,941)	(20,198)
Gain on fair value of investments	1,892	—
Foreign exchange gain	4,031	4,449
	(19,535)	(15,605)
Income before income taxes	42,368	27,707
Income tax (expense) recovery		
Current income tax	(3,495)	(5,383)
Deferred income tax	(6,854)	583
	(10,349)	(4,800)
Net income	32,019	22,907
Net income attributable to non-controlling interest	490	—
Net income attributable to Shareholders	31,529	22,907
Preferred Share dividends declared	(8,871)	—
Earnings attributable to Common Shareholders	22,658	22,907

23 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.com, under "Reports".

24 GLOSSARY OF TERMS

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

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

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

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

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

"**6.00% Debentures**" means the 6.00% senior debentures of the Corporation due December 31, 2024 which, prior to their redemption on December 29, 2022, traded on the TSX under the symbol CHR.DB;

"**A220-300**" means Airbus A220-300;

"**ABS Borrowers**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**ATR72-500**" and "**ATR72-600**" means the ATR 72-500 and 72-600 aircraft manufactured by Avions de Transport Régional G.I.E.;

"**Billable Block Hours**" mean actual Block Hours flown and Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights, under the CPA;

"**Block Hours**" mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are next again returned to the wheels of the aircraft, divided by 60;

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

"**CAC**" means CACC and its subsidiaries (excluding Jazz Leasing);

"**CACC**" means Chorus Aviation Capital Corp. (formerly, Chorus Aviation Holdings Inc.), a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013, including its subsidiaries. CACC is a subsidiary of the Corporation;

"**Chorus**" means, as the context may require, the Corporation and its current and former subsidiaries;

"**Common Shareholders**" means holders of Common Shares (excluding for the avoidance of doubt, the holders of Preferred Shares);

"**Common Shares**" means the Class B Voting Shares and Class A Variable Voting Shares excluding the Preferred Shares in the capital of the Corporation;

"**Controllable Costs**" means for any period, all costs and expenses incurred and paid by Jazz under the CPA other than Pass-Through Costs;

"**Convertible Units**" means the convertible debt units issued by the Corporation to Fairfax in 2017 for gross proceeds of $200.0 million, each such unit comprising a $1,000 6.00% Debenture and 121.2122121 Stapled Warrants;

"**Corporate**" means the head-office expenses of the Corporation;

"**Corporation**" means Chorus Aviation Inc., a corporation incorporated under the *Canada Business Corporations Act* on September 27, 2010;

"**Covered Aircraft**" means the aircraft whose capacity Air Canada purchases from Jazz under the CPA;

"**COVID-19**" means the novel strain of coronavirus, which was declared a pandemic by the World Health Organization on March 11, 2020;

"**CPA**" means the 2015 Capacity Purchase Agreement ("CPA") as amended and extended by the 2019 CPA Amendments and further amended by the 2021 CPA Amendments;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates IFRS as issued by the IASB;

"**Credit Parties**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

"**CRJ200**", "**CRJ700**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 200, CRJ 700, CRJ 900, and CRJ 1000 regional jet aircraft, and “**CRJ aircraft**” means all of the foregoing;

"**Cygnet**" has the meaning given in this MD&A under the heading "Overview – Business Highlights";

"**Dash 8-100**", "**Dash 8-300**" and "**Dash 8-400**" means, respectively, De Havilland Dash 8-100, Dash 8-300 and Dash 8-400 turboprop aircraft, and "**Dash Aircraft**" means all of the foregoing;

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

"**E Note**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**E170**", "**E175**", "**E190**" and "**E195**" means, respectively, Embraer E170, Embraer E175, Embraer E190 and Embraer E195 E jet aircraft;

"**EBITDA**" means earnings before net interest expense, income taxes, depreciation, amortization and impairment and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance;

"**EBT**" means earnings before income tax;

"**Fairfax**" means Fairfax Financial Holdings Limited and/or certain of its subsidiaries;

"**Falko**" means Falko Regional Aircraft Limited, a private limited company incorporated under the Companies Act 2006 (U.K.) on May 23, 2011, together with its subsidiaries and, where the context requires, includes the equity interests in certain aircraft and investment funds managed by Falko Regional Aircraft Limited and its affiliates. Falko Regional Aircraft Limited is a subsidiary of the Corporation;

"**Falko Acquisition**" means the acquisition of Falko by indirect subsidiaries of the Corporation all as more particularly described in the Corporation’s Material Change Report dated May 3, 2022;

"**FIL**" means Falko (Ireland) Limited (formerly Chorus Aviation Capital (Ireland) Limited) a private company limited by shares incorporated under the *Companies Act 2014* (Ireland) on March 15, 2017 and, where the context requires, includes its subsidiaries. Falko (Ireland) Limited is a subsidiary of the Corporation;

"**Fixed Margin**" means the fixed fee under the CPA that, is paid to Jazz by Air Canada for the operation of the Covered Aircraft under the CPA;

"**Free Cash Flow**" means cash provided by operating activities less net changes in non-cash balances related to operations, capital expenditures excluding aircraft acquisitions and improvements plus net proceeds on asset sales;

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

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

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

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

"**Investor Rights Agreement**" has the meaning given in this MD&A under the heading "Falko Acquisition and Private Placement";

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

"**Jazz Leasing**" means Jazz Leasing Inc., the successor by amalgamation to Jazz Leasing Inc. and Jazz Aircraft Financing Inc. under the *Canada Business Corporations Act* on December 31, 2016. Jazz Leasing is a subsidiary of the Corporation;

"**King Air 200**" means Beechcraft King Air 200 turboprop aircraft;

"**Leverage Ratio**" means net debt to trailing 12-month Adjusted EBITDA;

"**LIBOR**" means London Interbank Offered Rate;

"**Managed Aircraft**" means aircraft that are not wholly or majority-owned by Chorus but are managed by Falko (and its subsidiaries) in exchange for the payment by third parties of certain asset management fees;

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

"**MRO**" means maintenance, repair and overhaul;

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

"**Operating Credit Facility**" means the three-year committed operating credit facility dated October 14, 2021 and subsequently amended on January 27, 2023 between the Corporation as borrower, The Bank of Nova Scotia as administrative agent, issuing bank, sole lead arranger and bookrunner, and the lenders from time to time parties thereto;

"**Pass-Through Costs**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

"**Pass-Through Revenue**" means revenue received by Jazz under the CPA in payment of Pass-Through Costs;

"**Performance Incentives**" mean compensation to Jazz, under the CPA, for achieving established performance targets, being: controllable on-time performance, controllable flight completion, passengers arriving with luggage and customer service;

"**Preferred Shares**" means the series of preferred shares in the capital of the Corporation designated as "Series 1 Preferred Shares";

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

"**Q400**" means the Bombardier Q400 turboprop aircraft (now known as the Dash 8-400);

"**RAL**" means the Regional Aircraft Leasing segment which consists of CAC and all of its subsidiaries, including Falko and FIL and the asset management and aircraft leasing businesses carried on by those entities as well as Chorus' interests in aircraft investment funds which are managed by Falko;

"**RAS**" means the Regional Aviation Services segment which includes contract flying, charter operations and maintenance, repair and overhaul services that is carried on by both Jazz and Voyageur;

"**Regional 2021-1 ABS**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Series A Debentures**" means the 5.75% senior unsecured debentures of the Corporation due December 31, 2024 which trade on the TSX under the symbol CHR.DB.A;

"**Series A Loans**" has the meaning given in this MD&A under the heading "Long-term debt – Asset backed securitization";

"**Series B Debentures**" means the 6.00% convertible senior unsecured debentures of the Corporation due June 30, 2026 which trade on the TSX under the symbol CHR.DB.B;

"**Series C Debentures**" means the 5.75% senior unsecured debentures of the Corporation due June 30, 2027 which trade on the TSX under the symbol CHR.DB.C;

"**Shareholders**" means holders of Common Shares and Preferred Shares;

"**SOFR**" means the secured overnight financing rate;

"**Stapled Warrants**" means the warrants exercisable to acquire Common Shares at a price of $8.25 per Share (subject to certain adjustments) which were issued by the Corporation as part of the Convertible Units and expired with the redemption of the 6.00% Debentures on December 29, 2022;

"**Total Return Swap**" means the equity derivative contract entered into by the Corporation relating to its stock-based compensation programs;

"**Trustees**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

"**TSX**" means the Toronto Stock Exchange;

"**Unsecured Credit Facility**" means the US $100.0 million unsecured credit facility between the Corporation, as borrower, and Export Development Canada, as lender;

"**Unsecured Debentures**" has the meaning given in this MD&A under the heading "Long-term debt – Loan facilities – Operating Credit Facility";

"**Unsecured Revolving Operating Credit Facility"** means the US $30.0 million unsecured operating credit facility entered into on May 2, 2022 and matured February 2, 2023; and

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

25 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes forward-looking information and statements. Forward-looking information and statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such information and statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information and statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking information and statements, by their nature, are based on assumptions, including those referenced below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, among other things, external events, changing market conditions and general uncertainties of the business. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those indicated in the forward-looking information and statements.

Examples of forward-looking information and statements in this MD&A include the discussion in the Outlook section, as well as statements regarding expectations as to Chorus’ future liquidity and financial strength and contracted revenues, the recovery of air traffic in Canada and around the world, Chorus’ future growth and competitive position, Chorus' ability to grow Falko's asset management business and realize the benefit of synergies among its subsidiaries, Chorus’ intention to transition its leasing business to an asset light leasing model, the ability to generate cash flows from asset sales and deploy those to enhance returns to Shareholders and/or invest in accretive growth opportunities, and the completion of pending or planned transactions (including the successful close of a new Falko-managed fund). Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including: Chorus' ability to successfully integrate Falko's operations and employees and realize the anticipated benefits of the Falko Acquisition, including the transition to an asset light leasing model; the potential impact of the completion of the Falko Acquisition on relationships, including with employees, suppliers, customers, investors and other providers of capital; Falko's ability to successfully launch a new fund on the terms currently contemplated or at all; deviations from the key assumptions described in the Outlook section; the emergence of new COVID-19 variants and/or new pandemic or endemic diseases and any restrictive measures that may be implemented to minimize their public health impacts; the continuing impact of the COVID-19 pandemic on Chorus’ contractual counterparties; changes in aviation industry and general economic conditions including inflation; the continued payment (in whole or in part) of amounts due under the CPA and/or aircraft lease agreements with customers in RAL; the risk of disputes under the CPA and/or aircraft lease agreements with customers in RAL; Chorus’ ability to pay its indebtedness and otherwise remain in compliance with its debt covenants; the risk of cross defaults under debt agreements and other significant contracts; the risk of asset impairments and provisions for expected credit losses; a failure to conclude transactions (including potential financings) referenced in this MD&A, as well as the factors identified in 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 Sedar. The forward-looking statements contained in this MD&A represent Chorus’ expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. Chorus disclaims any intention or obligation to update or revise such statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws. Readers are cautioned that the foregoing factors and risks are not exhaustive.