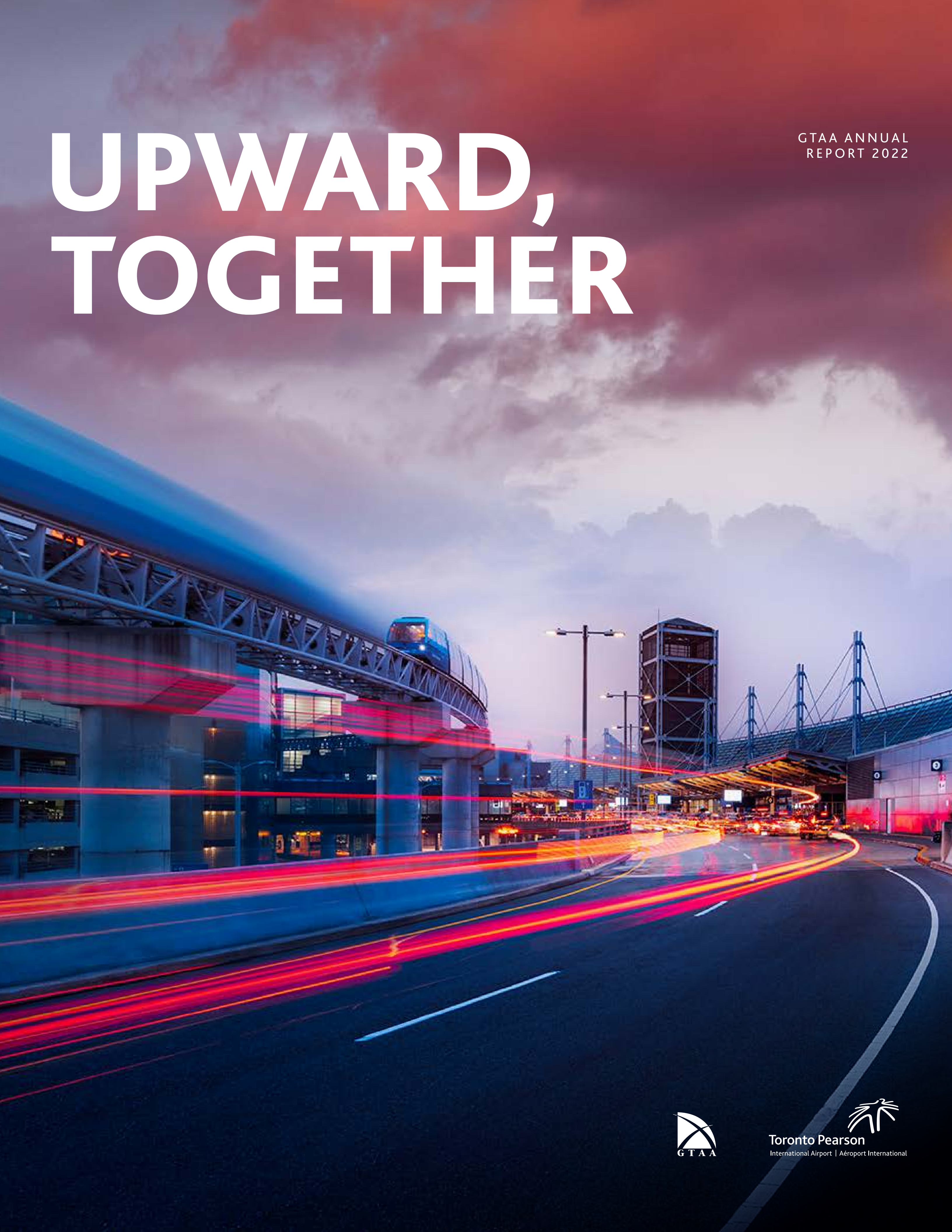
UPWARD, TOGETHER

GTAA ANNUAL REPORT 2022



GTAA

Toronto Pearson
International Airport | Aéroport International

ABOUT THIS REPORT

The Greater Toronto Airports Authority (GTAA) is the operator of Toronto – Lester B. Pearson International Airport, Canada's airport for the world. Located in one of the fastest growing cities in North America and Canada's most populous region, the GTAA connects people and goods to the global economy.

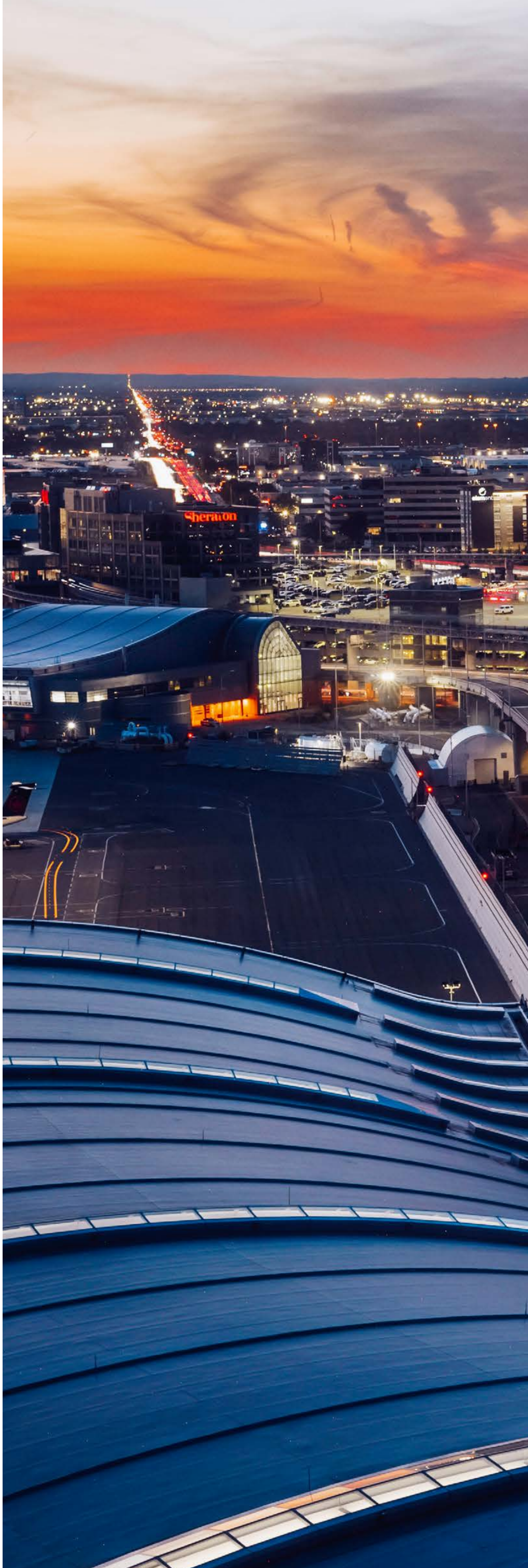
Welcome to the GTAA's 2022 Annual Report. In this report, which covers the 2022 fiscal year, we share our initiatives and accomplishments that are driving progress toward our corporate strategy and building the airport of the future.

This report also fulfills the GTAA's obligations in section 9.01.07 of its lease with Her Majesty the Queen in Right of Canada represented by the Minister of Transport, dated December 2, 1996 (the "Ground Lease").

We continue to develop and review the GTAA's performance data, including, but not limited to, assessing how data was captured, collected, reviewed and reported. This ensures our ability to present consistent and accurate data. The GTAA does not currently have a policy or mandate concerning external assurance of our non- financial reporting.

Comments or questions about this report can be directed to **Publication@gtaa.com** or submitted online at **Contact Us**.

Previous annual reports are available in PDF format at **www.torontopearson.com**.

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Message from Doug Allingham, GTAA Board Chair

Doug Allingham
Chair, GTAA Board of Directors

Just two years after global travel ground to a halt, it came roaring back. After beginning 2022 still firmly in pandemic mode, staff at the Greater Toronto Airports Authority (GTAA) successfully managed a tremendous year of growth, as Toronto Pearson's traffic jumped from 25% of pre-pandemic levels in 2020 to 70% in 2022. Canadian leisure and business passengers have taken to the air again and the airport remains committed to bringing service back to pre-pandemic levels. The GTAA is looking ahead not just to a return to the 50 million annual passengers who passed through our airport before COVID-19, but to a future of continued growth in the demand for travel connections, with all the investment, growth and sustainability work this suggests.

The past year showed how challenging it is to turn such growth on and off. When Canada reopened for business, Toronto Pearson rapidly went from one of the world's most shut-down airports to one of the busiest. For the aviation industry and housebound Canadians, it was an overdue and welcome return to something closer to business as usual. But it also exposed cracks across the Canadian aviation ecosystem. Carriers, ground handlers, retail and government agencies all struggled to staff up and right-size their schedules. The significant drop in revenue generated by travel left airport budgets and infrastructure in desperate need of repair. Travellers found themselves suffering through cancellations, delays, long wait times and lost baggage. Throughout the year, GTAA staff worked extraordinarily hard to address the airport's part in these difficulties while also focusing on building toward the future.

Airports, and the aviation industry as a whole, faced other headwinds in 2022, from sky-high inflation to lingering pandemic supply-chain issues. In concert with our many partners, including airlines, agencies and government, the GTAA focused on overcoming these issues to improve financial and operational results. In 2022, the GTAA delivered above-target achievements against our 2022 corporate goals, including revenue targets. EBITDA in 2022 was $758.6 million versus $318.4 million in 2021, and our EBITDA margin was 50.8%, 12.3 percentage points higher than in 2021.

I believe that these results are directly attributable to the design of our organization, our network of partners, the way we deploy and use technology and data, and, of course, our culture. I would be remiss if I did not acknowledge the hard work, dedication and tenacity of our leadership team and all GTAA employees, as well as the broader Pearson community. Throughout 2022, they once again worked together tirelessly and

“Our new strategic plan emphasizes innovation, which is key to creating a next-generation airport that is efficient, resilient, safe and sustainable.”

resolutely to keep our airport safe, secure, efficiently run and welcoming to all travellers. A heartfelt thank-you to our CEO, Deborah Flint, whose strategic leadership, care and compassion maintained the morale of our employees during very difficult times. Deborah and her leadership team navigated the ups and downs of 2022 with a steady hand and a tremendous amount of business acumen.

During our summer 2022 retreat, our Board asked the GTAA executive team to move aggressively to create a 10-year strategic plan for implementation in 2023. The plan was developed with the support of external economic and aviation experts and drew on the knowledge, expertise and experience of our GTAA employees. The result is a roadmap that is helping us build back better by delivering a first-class experience for our passengers, employees, airlines and other partners. We aim to achieve this through a modernized approach to addressing customer needs, taking an assertive role in orchestrating a seamless experience across our airline and government agency partners, and developing and supporting all employees at Toronto Pearson. Our new strategic plan also emphasizes innovation, which is key to creating a next-generation airport that is efficient, resilient, safe and sustainable.

Throughout 2022, we also remained connected to our neighbours. We engaged our community stakeholders in a survey sent to 5,000 local residents to gauge public attitudes and aspirations for Toronto Pearson. Outcomes from this outreach affirmed the need for improved connections to the airport and reinforced that we have the responsibility to reduce our carbon emissions. We heard that, as the “front door to Canada” and a major driver of economic activity within the region, we should strive to be one of the most innovative airports in the world. These findings align with our strategic plan.

Sadly, over the past year, we mourned the loss of two valued members of our board. In August 2022, we lost Deepak Ruparell who had served on our board since 2021 and was a member of the Board’s Audit and Governance and Stakeholder Relations Committees. As the owner and president of the Silver Hotel Group, Mr. Ruparell was also a highly respected member of the Canadian hospitality industry. In January 2023, Hazel McCallion passed away. Ms. McCallion led the economic transformation of Mississauga during her 36-year tenure as mayor and was a most formidable force in the Canadian political landscape. She was a mentor and advisor to me and our board, having served on our board since 2017. We are grateful for Mr. Ruparell’s and Ms. McCallion’s service to the GTAA. Both will be missed dearly by our board and the broader GTAA community.

Looking ahead, I anticipate 2023 to continue to be a year of recovery. As we initiate implementation of our strategic plan, I am certain that we are on the right path forward. With a laser focus on execution and our adaptability, agility and resilience, we have what it takes to achieve our vision of putting the joy back into travel and to weather any future storms that may come our way. We have set ambitious goals, but I have confidence in our leadership and the entire GTAA team to deliver the results we need to propel us toward growth and success. I look forward to sharing our progress in future reports.

Sincerely,

Doug Allingham,
GTAA Board Chair

A Q&A with GTAA President and CEO Deborah Flint

Deborah Flint
President and Chief Executive Officer

2022 was another difficult year for the aviation industry. What were some of the biggest challenges the GTAA faced?

It was a difficult year around the globe, and across the industry — especially for passengers at Pearson who directly experienced the impact of late canceled flights, and lost baggage. We care and feel deeply for every one of our passengers, and regret any hardships they faced during last-year's restart. After two difficult years of adapting to and surviving a pandemic, this year presented further challenges. Throughout 2022, the remaining regulatory climate of health policies for arriving passengers had an extreme effect on operations. In the summer, there was a surge in passenger traffic. In just a matter of weeks, we shifted from being one of the world's most shut-down major airports to one of the busiest. Restarting and accelerating a very complex, interwoven, multi-partner travel ecosystem like Toronto Pearson, with its high level of international connectivity and with both U.S. and Canadian borders within the airport, was a monumental feat. Another significant challenge with the restart was staffing. Many of our 400-plus partners faced labour shortages coupled with a high percentage of new employees, which led to periods of unreliable passenger experiences, particularly during peak holiday travel.

How were these challenges addressed?

It came down to two fundamental strengths: dedication and innovation. I can't say enough about our employees. I am so incredibly proud and grateful for our compassionate and caring staff who, despite a very challenging work environment, kept our operations running through every twist and turn of 2022. They never wavered in showing up and stepping up to do the right thing on behalf of our partners and passengers. They are the special factor that keeps us going through the best and most difficult times, and we are dedicated to ensuring that the airport experience at Pearson is more predictable and reliable in future years.

We are a very mission- and values-driven organization, and we also have a commercial mindset that drives progress through innovation. The challenges we faced accelerated our modernization plans, especially our technology evolution. We provided more transparency on real and predicted wait times so passengers know what to expect when they arrive at the airport. We provided more certainty through our YYZ Express program, and we invested heavily in technological advancements such as contactless check-in and boarding procedures. We also upgraded our baggage system with artificial intelligence that can predict overloading and can sense breakdowns before they take place. Partnering with the CBSA, we installed eGates driven by biometric technology to speed up customs clearance for travellers who have submitted their information electronically before flying into Canada. And this is only the beginning.

“Our new vision, ‘Putting the joy back into travel by making Pearson the chosen place to fly and work,’ underscores the dimension that we will advance as a leader in the next generation of airports.”

What were some highlights for the GTAA in 2022?

We met or exceeded many of our 2022 projected targets, including revenue targets, which was critical after pandemic losses and resulting debt. Importantly, we leveraged the COVID-19 disruptions to rethink and innovate how we build and operate the airport of the future. In 2022, we developed a 10-year strategic plan that focuses on four new strategic pillars: Customer Experience, Operational Efficiency, Innovation, and Culture/ Employee Experience. Our new vision, “Putting the joy back into travel by making Pearson the chosen place to fly and work,” underscores that we will advance as a leader in the next generation of airports. We are taking a big step by investing in next generation terminals and facilities. This vision is supported by a framework developed to prioritize capital investments and enable a strategic focus on solving key business issues while building system resiliency. The plan is staggered into three-year horizons that give us the flexibility to pivot and be agile, while ensuring that we are also evolving for the long term and the growth we expect over the next decade.

I am proud to report that we successfully navigated both short- and long-term pressures as we delivered one of the biggest airside infrastructure rehabilitation projects in the GTAA’s history. We completed the work on Runway 06L/24R, our airport’s second busiest, on time, on budget and with minimal community disruption. The rehabilitation is extending the runway’s lifespan by 30 years.

How does sustainability play into the strategy?

The GTAA has a strong track record of stewardship and sustainability. Our stakeholders and communities are also environmentally conscious and expecting air travel to be more sustainable. The GTAA has adopted this a lens for all the work that by addressing the social and environmental impacts of our operation.

Our stakeholders and communities are increasingly environmentally conscious and demand for sustainable aviation is building among travellers and regulators. Everything the GTAA does today needs to consider the social and environmental impacts of our operations. We’re building sustainability into our culture, our processes and our agreements with partners and customers. For example, a new landing procedure introduced by NAV CANADA at Toronto Pearson shortens flight times, reduces fuel burn and uses quieter continuous descent operations. And to meet our goal of carbon neutrality by 2050, we’re exploring a program to install hydrogen filling stations for both airport vehicles and the broader community. Planning for a mix of aircraft powered by sustainable aviation fuels, hydrogen and electric batteries is part of how we will be decarbonizing our grid, and building a toolkit of next-generation fuel resources, principles of environmental circularity, and innovation will position us strategically for a more sustainable future.

As you look to the future, what are you most excited about?

If anything, the shutdowns and restarts we’ve faced have given us proof of just how important the GTAA’s work truly is. Our operations and impact are vital to the region, the province and the country. I’m excited about executing our strategic plan, which will carry us to growth and delivering value for our communities and our country. Our Transformative Capital Plan includes investment in long-overdue infrastructure improvements that position us for the emerging expectations from the travelling public in the next decade and beyond. Looking to the future, we’ll continue to focus on digital and technology transformation to ensure a more efficient operation, and move passengers more efficiently. While there may be more swings due to macroeconomic events, I’m confident in the forecasts that predict strong passenger numbers. With our relentless focus on customer experience, operational excellence, continuous improvement and employee growth and development, we have a strong foundation to deliver as a leader in the aviation industry for Canada, North America and beyond.

Bringing Air Travel Back

If two words could sum up 2022 at Toronto Pearson, they would be "resilience" and "innovation." Those were the touchstones for the GTAA team as it ramped up operations at the country's busiest airport and brought air travel back for millions of Canadians.

As COVID-19 restrictions eased and the skies fully reopened, a wave of pent-up travel demand was released. Passenger numbers soared and the airport handled on average 921 flights daily — almost twice the volume from 2021. There were significant disruptions that were felt directly by many our passengers, with delayed and canceled flights, baggage misses. The GTAA cares deeply about each of our passengers' experience at our airport, and take to heart those disappointments. With deepest apologies, the team have dedicated day and night to improve services and resiliency to deliver predictable and reliable and enjoyable travel at Pearson.

The GTAA responded rapidly to return its staffing to pre-pandemic levels and support the more than 400 other organizations at Toronto Pearson as they collectively hired thousands of workers. This accomplishment was particularly impressive in light of the security clearances and additional complexities of hiring and training staff in an airport environment.

With the labour market expected to remain tight in the near term, the GTAA continues to lead talent acquisition by building a new job portal and website to attract new employees. This work is being funded by the Province of Ontario's Skills Development Fund and is intended to support employers in creating a strong airport-wide workforce development strategy. The GTAA has also started holding multi-employer job fairs for the whole of Toronto Pearson. The first of these, in September, attracted 20 employers, six employment agencies and 400 job seekers.

Innovative programs and initiatives have also been key to recovery; reopening didn't mean returning to how things had been done before. With the entire global aviation system in recovery mode, the GTAA and its partners innovated to find new efficiencies throughout their operations.

Some of these projects are instantly noticeable to the public. Live wait times are now published on the airport website as part of enhanced guidance for passengers on what to expect at the terminals. Meanwhile, the GTAA has worked with government agencies to deploy new technology in security screening and border processes. Other innovations are creating an impact behind the scenes as the GTAA continues to pioneer data-driven approaches to managing operations. Toronto Pearson is also the only Canadian airport to use Airport Collaborative Decision Making. This robust digital system enables key partners to share and track real-time data on aircraft movements, leading to more accurate flight status updates and better overall co-ordination. The GTAA aims to eventually expand the system to provide a digital view of all airport operations.

A new vision of air travel

With the pandemic disruptions behind us, the Toronto Pearson community is now focused on the future. New technologies are transforming the airport experience globally — and the GTAA, with its track record of innovation, plans to lead those changes.

The issues Canada's major airports face in the years ahead may be different from those they have dealt with over the past 12 months, but they will be no less challenging. With passenger numbers expected to grow in the coming decades, significant infrastructure improvements will be required to cope with demand. Investments in new technologies will be needed to keep pace with digital systems like biometric boarding that are becoming commonplace around the world. And to continue driving down carbon emissions, airports will have to position themselves for multiple energy sources, such as renewable electricity, hydrogen power and sustainable aviation fuels.

With the United States government having already invested $25 billion in its aviation infrastructure, competition among global hubs is intensifying. That's why the GTAA has developed an ambitious plan to revitalize Toronto Pearson to meet the challenges ahead. Its Transformative Capital Plan will refresh its facilities, expand capacity, deliver new technologies and enhance Toronto Pearson's status as one of the world's most innovative airports.

In the coming years, new innovations and technologies will make passengers' journeys through the terminals seamless and the airport itself more environmentally sustainable. The plan envisions that terminals will run on clean power; digital technologies will make check-in and border control faster, new scanners will, ideally make security less intrusive; fleets of electric or hydrogen-powered vehicles will prepare planes for departure while air traffic controllers will guide aircraft safely and efficiently through the skies using the latest artificial intelligence.

The plans for Toronto Pearson are bold and exciting, and their effects will extend far beyond the airport. Toronto Pearson matters to the whole of Canada because it is the nation's front door. It connects Canadians to each other and links Canada to the world.

After two years of shutdown, Toronto Pearson is back. Now, the GTAA is embarking on the next stage of its journey: building the airport of the future.

TRANSFORMATIVE CAPITAL PLAN

Delivering the Airport of the Future

Demand for air travel has come back strong and it continues to grow. For the GTAA to meet the demands of tens of millions of additional passengers in the future, we are working with our partners to plan for growth, and we are investing in the future now. Our Transformative Capital Plan (TCP), developed together with our partners, focuses on revitalizing our facilities, expanding our capacity and delivering new technologies that will firmly establish Toronto Pearson as one of the most innovative airports in the world.

THE TCP WILL GUIDE OUR CAPITAL INVESTMENT BASED ON OUR EIGHT CORE PRINCIPLES, WHICH INCLUDE:

ENHANCING THE CUSTOMER EXPERIENCE
A predictable, personalized end-to-end journey

CREATE A SUSTAINABLE FUTURE AIRPORT
A climate-resilient and carbon-neutral airport that leverages a circular economy

BUILD NEW REVENUE SOURCES
Rethinking our lines of business to provide more financial security, recover from pandemic debt, and prepare for future shocks

DRIVE OPERATIONAL PERFORMANCE AND EFFICIENCY
Through technology and automation

BUILD A DIGITAL FUTURE
Create a next-generation intelligent airport

BUILD SMART CAPACITY
Resilient, flexible and scalable

CREATE AN INCLUSIVE ENVIRONMENT
To help YYZ attract and develop the best talent

CREATE A NEW VALUE PROPOSITION FOR COMMUNITIES
The airport as a source of pride with deep economic connection with its neighbours

PASSENGERS

Enhancing the Airport Experience

To address the challenges of 2022, we introduced several innovative processes and technological enhancements that help passengers move more quickly and easily from curb to gate. These enhancements are laying the groundwork for future innovations as Toronto Pearson moves towards a smart and seamless passenger experience powered by digital technology.

Increased transparency of our partners' processes through our online portal, which provides information on wait times for key procedures including check-in, security screening, U.S. customs, Canada Customs and inbound baggage delivery, based on real-time data.

eGates have been installed to expedite Canadian customs processing for international arriving passengers who have submitted their customs declaration via the Advance Declaration app prior to landing in Canada.

Expanded access to BlindSquare assistive technology, a self-voicing application that provides verbal information on a user's location and surroundings — we now have a total of 27 smart beacons throughout the airport that help guide passengers who are blind or have a visual impairment.

YYZ Express is a free service that allows passengers to book a slot for security screening during peak times. This provides travellers with the ability to plan their journey in advance and smooths out peaks and troughs in demand. U.S.-bound passengers can now save time with U.S. Customs and Border Protection's (CBP) Mobile Passport Control service. CBP inspection-related questions can be answered via an electronic form on a smartphone or tablet prior to arriving at the airport.

New multilingual interactive kiosks help passengers find their way around the airport and can assist with hotel and restaurant booking.

We are the first airport in North America, and the second in the world, to receive ACI's Accessibility Enhancement Accreditation, a first-of-its-kind program dedicated to airport accessibility and continuous improvement.

EMPLOYEE ENGAGEMENT

Building a Workforce That's Pearson Proud

The airport's workforce is spread among 400+ different employers united by a common sense of purpose. The GTAA is working hard to enhance the airport's reputation as a source of good, stable jobs for the current workforce and a pathway to opportunity for surrounding communities.

Enhanced career growth and internal mobility practices for our GTAA workforce of more than 1,600 people, through augmented learning and development opportunities via platforms such as LinkedIn, giving access to thousands of learning programs.

Training provided to employees to create a culture of growth and opportunity.

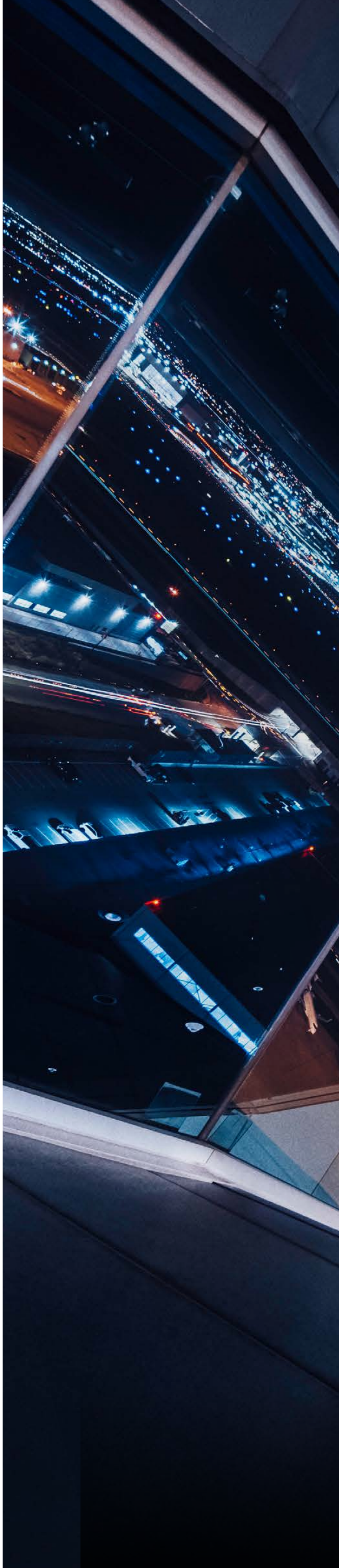
Emphasis on wellness for our workforce through the introduction of the Calm app, which provides tools and resources to improve mental and physical health.

Hosted thank-you events and supported our employees exploring fun, leisure activities with their families in recognition of our employees' hard work, commitment, and dedication during a very challenging time for our airports to compensate for time away from home.

Our goal is to represent the diversity of the community where we operate.

Building out our DE&I initiatives through DE&I roadshows and inclusive leadership training.

Established two new employee resource groups: the Black Professionals Network and Rainbow Runway, the latter being the first 2SLGBTQIA+ employee group in the GTAA.



TECHNOLOGY

Innovation in Aviation

We are embracing new technologies that can make passengers' lives easier, enhance operations and build capacity to meet future demand for air travel:

Toronto Pearson became the first airport in the world to test HEXWAVE scanners at the entrance to our terminal buildings that use 3D imaging and AI to spot dangerous items like weapons on individuals entering the premises. This technology has the potential to augment and facilitate security screening in the future.

Cutting-edge genome sequencing is used for sewage sampling to test wastewater for pathogens and to monitor for new strains of COVID-19 and other infectious diseases.

Our partnership with BlueDot enables us to track and predict COVID-19 outbreaks.

We work closely with our partners to introduce new technology:

NAV CANADA uses artificial intelligence to determine optimal separation distances for arriving planes. This increases the number of planes that can land in high winds, which reduces delays and cuts aircraft emissions.

Lowering our emissions by looking at hydrogen and other clean fuels as part of our next-generation aviation fuel resources that position us for a more sustainable future.

COMMUNITY

Supporting Our Communities

We're proud of the role we play in supporting the communities we serve. At Toronto Pearson, we strive to work with our neighbours by keeping the community informed about and engaged in our initiatives and by building the airport of the future with them. As a good corporate citizen, we also look for ways to give back to our communities.

VOLUNTEERING OUR TIME, RAISING AND DONATING MONEY, SHARING OUR SKILLS AND TALENTS:

$387,000

In 2022, our Propeller Project community fund donated $387,000 to six community organizations.

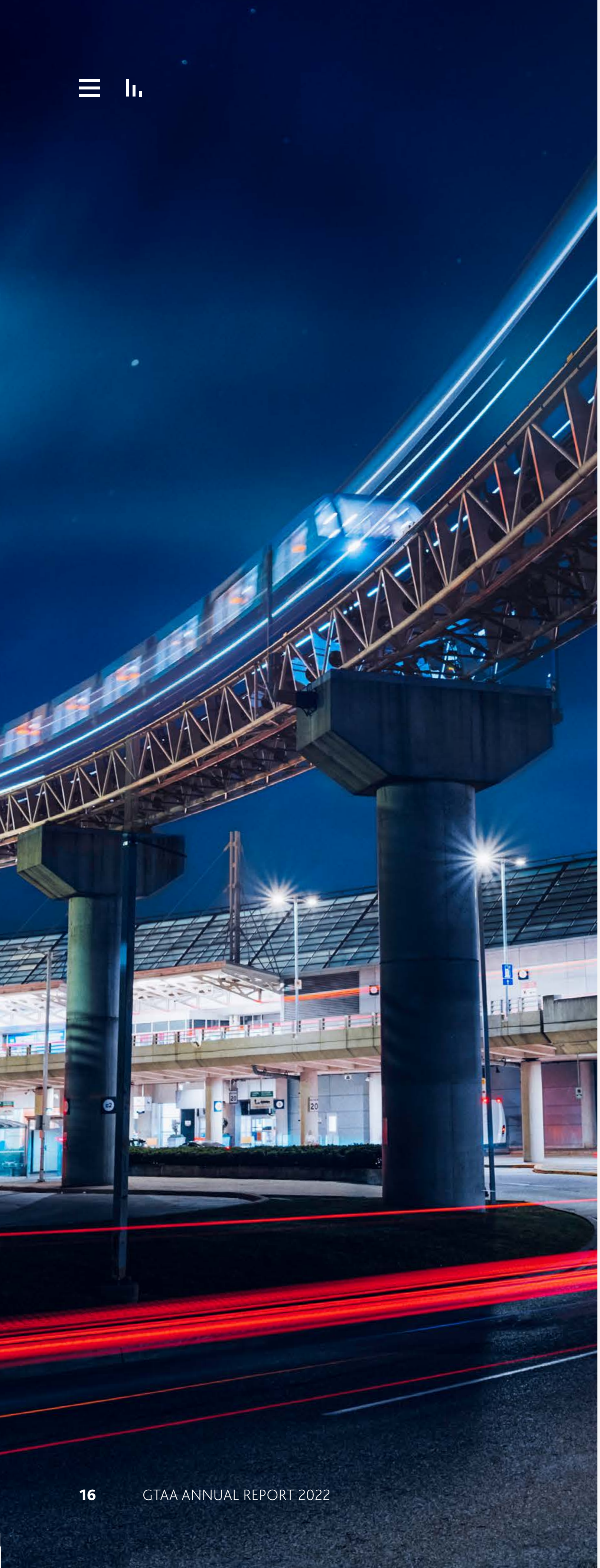
$150,000

We committed $150,000 to six Black and Indigenous-led groups.

We developed our Community Value Proposition in support of our Transformative Capital Plan and in alignment with GTAA's new strategic plan, based on input from a survey sent to 5,000 community residents and an in-person panel of broadly representative and randomly selected community members.

WE HEARD THAT PEOPLE WANT TORONTO PEARSON TO BE:

- **A CHAMPION FOR THE REGION**
- **A PROVIDER OF DECENT WORK AND CAREER OPPORTUNITIES**
- **A CREDIBLE ENVIRONMENTAL ACTOR**
- **THE PROVIDER OF A GREAT PASSENGER EXPERIENCE**



Corporate Governance

The GTAA is a Canadian Airport Authority and a corporation without share capital under the *Canada* "Not-for-Profit" *Corporations Act*.

The National Airports Policy and the Public Accountability Principles established the governance framework for Airport Authorities, including the GTAA, and served as the framework for the Ground Lease with Transport Canada and the Corporation's By-law. These documents also set out certain requirements, including with respect to the nomination of Members, holding public meetings, publishing certain documents and adopting certain corporate policies.

Members/Board of Directors

As a corporation without share capital, the GTAA has Members rather than shareholders or other equity holders. The process for nominating and electing Members is based on the GTAA's By-Law.

The GTAA's Members are also its Directors; a reference in this Annual Report is also a reference to those serving on the GTAA's Board of Directors.

The GTAA's Board of Directors comprises 15 Directors elected by the GTAA's Members. Directors serve terms of up to three years and are eligible to be re-elected by the Members to serve for a maximum of nine years.

The following table sets forth the names of the Directors, together with their place of residence, the date they became Directors, the expiry of their current term, their principal occupation, and their Board Committee memberships, as at December 31, 2022.

BOARD OF DIRECTORS

DOUGLAS ALLINGHAM

Ontario, Canada

Corporate Director

Director since: 2018

Board Chair (effective May 7, 2019)

Current term expiry: 2024

Mr. Allingham is a civil engineer with 40 years of experience encompassing both the public and private sectors. He is the former Executive Vice President of AECOM Canada Ltd. and has a background in transportation engineering, including transit planning, urban design, traffic engineering environmental assessment, master planning, airport planning and transportation economics. He has served as president of the Canadian Institute of Transportation Engineers, Chair of the Board for the University of Ontario Institute of Technology, Trustee and Chair of the Board of Lakeridge Health and has served on the boards of Durham College and the Durham Abilities Centre. He graduated with a B.Sc. in Engineering from the University of Waterloo in 1978. In 2012, he was awarded the Queen Elizabeth II Diamond Jubilee medal for service to the community.

NAFISAH CHOWDHURY

Ontario, Canada

Partner, Miller Thomson LLP

Director since: 2022

Current term expiry: 2025

Governance and Stakeholder Relations Committee

Human Resources and Compensation Committee

Ms. Chowdhury is a partner at Miller Thomson LLP, practising in commercial and employment litigation. She obtained an Honours Bachelor of Environmental Studies degree from the University of Waterloo, a Juris Doctor degree from the University of Toronto and was called to the Ontario Bar in 2008. In 2018, she received the Lexpert Rising Star award, which recognizes Canada's leading lawyers under 40. In her spare time, Ms. Chowdhury sits on the advisory boards of various community organizations.

JEFF P. FEGAN

Texas, U.S.

Chief Executive Officer, Jefffegan.com LLC (aviation consulting firm)

Director since: 2014

Current term expiry: 2023

Human Resources and Compensation Committee

Planning and Commercial Development Committee

Mr. Fegan is an executive with extensive experience in the aviation and aerospace industry. He is the former Chief Executive Officer of Dallas/Fort Worth (DFW) International Airport and past Chairman of the Board of Directors of Airports Council International–North America (ACI-NA). Mr. Fegan is skilled in operations management, strategic planning, commercial development and airport development. He graduated from the Georgia Institute of Technology and attended the Stanford Executive Management Program.

LISE FOURNEL
Quebec, Canada

Corporate Director

Director since: 2022

Current term expiry: 2025

Audit Committee

Planning and Commercial Development Committee

Ms. Fournel is a technology expert with a global perspective in marketing and revenue management and e-commerce. Over her more than 35-year career with Air Canada, Ms. Fournel has held increasingly senior positions in Technology, Strategic Planning and Passenger Commercial. She was also President of Destina.ca. She sits on the Board of Ontario Teachers' Pension Plan and is a former Director of Desjardins Financial Security. Ms. Fournel has also served on a number of not-for-profit boards, including l'Université de Montréal, Tourisme Montréal, CIREM, Musée Pointe-à-Callière, and the Canadian Muscular Dystrophy Association. Ms. Fournel earned a B.Sc. in Mathematics from l'Université de Montreal, completed graduate studies in Business Administration at Hautes Études Commerciales (HEC) in Montreal and holds the Institute of Corporate Directors designation (ICD.D). She also holds an M.Sc. in Mathematics from Université de Montréal.

PETER GREGG
Ontario, Canada

President and Chief Executive Officer, Nova Scotia Power (regulated electric utility)

Director since: 2018

Current term expiry: 2024

Governance and Stakeholder Relations Committee

Human Resources and Compensation Committee

Mr. Gregg is President and CEO of Nova Scotia Power Inc., a wholly owned subsidiary of diversified energy and services company Emera Inc., providing 95% of the generation, transmission and distribution of electrical power to more than 525,000 residential, commercial and industrial customers across Nova Scotia. He was previously President and CEO of the Independent Electricity System Operator ("IESO"), the corporation responsible for operating the electricity market and directing the operation of the bulk electrical system in the province of Ontario, and President and CEO of Enersource Corporation (now Alectra Utilities) where he led the merger of Enersource with Powerstream and Horizon Utilities, and the purchase of Hydro One Brampton. Mr. Gregg has an MBA from the Ivey School of Business at the University of Western Ontario and holds the ICD.D designation from the Institute of Corporate Directors.

DON KENNEDY
Ontario, Canada

Corporate Director

Director since: 2020

Current term expiry: 2023

Audit Committee

Planning and Commercial Development Committee (Chair)

Mr. Kennedy is a retired business executive, having served as the Chief Financial Officer for a number of organizations in aviation, freight and logistics, including Canada 3000, where he grew the organization from the startup of a charter airline into a publicly traded travel group with over 5,000 employees. His professional associations include past Director of the Air Transport Association of Canada, past Director of various airline fuel consortiums and past member of various aviation and travel industry associations. He also served on the Board of Directors of St. Joseph's Health Centre in Toronto. He has been a Chartered Professional Accountant and Chartered Accountant in Ontario for over 40 years, having started his audit career at PricewaterhouseCoopers LLP. He holds a Bachelor of Commerce (Honours) from Queen's University.

HAZEL McCALLION

Ontario, Canada
In memoriam

Chief Elder Officer, Revera Inc. (retirement living and long-term care company);

Special Advisor to the Vice President University of Toronto (Mississauga Campus)

Director since: 2017

Term expired: 2023

Audit Committee

Governance and Stakeholder Relations Committee

Ms. McCallion was the Chief Elder Officer of Revera Inc., Chancellor of Sheridan College, and special advisor to the University of Toronto, Mississauga campus. She was one of the longest-serving mayors in Canada, having served as Mayor of the City of Mississauga for 36 years. The City of Mississauga operated as a debt-free city during her term as mayor. She was an ex officio member of the Audit Committee of the Corporation of the City of Mississauga and was responsible for signing the Internal Audit Charter of the City. She was appointed a member of the Order of Canada in 2005 and appointed to the Order of Ontario in 2020. She has been awarded an honorary Doctor of Laws degree from the University of Toronto, a Doctor of Commerce (Honoris Causa) from Ryerson University, an Honorary Degree from Wycliffe College and an Honorary Bachelor of Science from Sheridan College.

MICHELE McKENZIE

Ontario, Canada

Principal, McKenzie Business Strategies (management consulting firm)

Director since: 2018

Current term expiry: 2024

Governance and Stakeholder Relations Committee (Chair)

Human Resources and Compensation Committee

Ms. McKenzie is a corporate director and business advisor with strong tourism expertise. She is a consultant with Chemonics International, an international development consultancy based in Washington, DC. She is formerly Principal of McKenzie Business Strategies, an advisory and leadership practice focused on economic development, strategy, marketing and tourism. She also spent 10 years in the role of President and CEO of the federal Crown corporation 'Canadian Tourism Commission' ('Destination Canada'), and four years as Deputy Minister of Nova Scotia Tourism, Culture and Heritage. Ms. McKenzie also has experience in international development and has lived and worked in the Middle East. In 2020, she was recognized by the Tourism Industry Association of Canada with a Lifetime Achievement Award. In 2014, she was named by Hotelier Magazine as one of the '10 Most Influential Leaders in Canada's Hospitality Industry in the Past 25 Years'. She has extensive board governance experience and, in addition to the GTAA, currently sits on the boards of Invest in Canada, Fairmont Hot Springs Resort, the Trans Canada Trail, and is a member of the Departmental Audit Committee for Statistics Canada. Ms. McKenzie holds a degree from Dalhousie University and has completed a Fellowship at Harvard University. She also holds the ICD.D designation from the Institute of Corporate Directors.

MARC NEEB

Ontario, Canada

Corporate Director

Director since: 2019

Current term expiry: 2025

Human Resources and Compensation Committee (Chair)

Planning and Commercial Development Committee

Mr. Neeb is a retired HR executive, having most recently served as the Chief Human Resources Officer at Magna International Inc. At Magna, Mr. Neeb was responsible for global human resources strategy relating to health & safety, environment, total compensation, culture, Employee's Charter, labour relations, performance management, talent attraction and retention, and people development and training. His past professional experience also includes serving as the Chief Administrative Officer of the Town of Aurora, Commissioner of Community Services of the City of Brampton and various senior positions with the City of Mississauga. He holds degrees and diplomas from the University of Western Ontario, Seneca College and the University of Toronto. He has served on the boards of Southlake Regional Health Centre, Aurora Mayor's Charity Golf Classic, and the Community Safety Village of York Region, and was the Governor of the Royal Lifesaving Society of Ontario.

ERIC PLESMAN
Ontario, Canada

Head of Global Real Estate, Healthcare of Ontario Pension Plan

Director since: 2019

Current term expiry: 2025

Audit Committee

Planning and Commercial Development Committee

Mr. Plesman is the Head of Global Real Estate at Healthcare of Ontario Pension Plan (HOOPP) and is responsible for its real estate investment activities. Prior to HOOPP, he held a number of senior positions at Oxford Properties and was most recently Executive Vice President, North America, where he was responsible for North American Investments (equity and debt) and Development activity across all asset classes (office, industrial, retail, multi-family and hotel), as well as Oxford's North American Retail and Industrial businesses. Mr. Plesman's past experience also includes roles in Investment Banking and Real Estate Private Equity at Morgan Stanley (London, U.K., New York and Toronto) and as a consultant at Arthur Andersen (Amsterdam). He holds a BA from King's University College at Western University and an Honours Business Administration from the Ivey Business School at Western University.

MICHELLE SAMSON-DOEL
Ontario, Canada

President, Samson-Doel Group Limited (investment company)

Director since: 2014

Current term expiry: 2023

Audit Committee

Human Resources and Compensation Committee

Ms. Samson-Doel is President of Samson-Doel Group Limited, a private capital corporation, and former Executive Chair of the Board of Multi-Marques Inc., the largest manufacturer and distributor of bakery products in Quebec and Eastern Canada with 3,500 employees, recipient of the Canada's Top 50 Best Managed Private Companies Award. She also serves on the boards of CDPQ Infra, Lallemand, Lallemand Investments and St. Johns Packaging. She holds the ICD.D designation from the Institute of Corporate Directors and has served on numerous boards over the last 20 years, including Boralex, OLG and Women's College Hospital Foundation. Ms. Samson-Doel has been a Chartered Professional Accountant and Chartered Accountant since 1983. She holds a BComm from the University of Toronto.

MARK F. SCHWAB
Florida, U.S.

Director since: 2017

Current term expiry: 2023

Human Resources and Compensation Committee

Planning and Commercial Development Committee

Mr. Schwab is an experienced airline industry executive, having served as Chief Executive Officer of Star Alliance, the world's first and most comprehensive global airline alliance of 26 members. He has a deep background in the airline industry, having served in international and corporate leadership roles with major carriers such as United Airlines, US Airways, American Airlines and Pan Am. He is a graduate of the University of Virginia. He serves on the boards of not-for-profit organizations Greater Naples Leadership and Naples Council on World Affairs.

JOHAN C. VAN 'T HOF

Ontario, Canada

President, Tonbridge Corp. (merchant bank)

Director since: 2017

Current term expiry: 2024

Audit Committee (Chair)

Planning and Commercial Development Committee

Mr. van 't Hof is President of Tonbridge Corp., a Toronto-based merchant bank and advisory firm, and has been a lecturer at the University of Toronto, the University of Waterloo and the School of Accountancy for the Institute of Chartered Accountants of Ontario. Prior to his current role, he was CEO of Tonbridge Power Inc., a publicly traded entity, and was Chief Operating Officer and Director of Carter Group Inc., a North American automotive parts manufacturer. Prior to these roles, he was Partner and Managing Director at PricewaterhouseCoopers LLP (project finance and privatization) and was seconded to the Ontario Securities Commission by his firm. In such a role, he acted for 11 airport authorities in Canada in transferring operations from Transport Canada, and for 25 governments in project finance and privatization transactions globally in energy corrections, airports and roads. He has testified to the U.S. Senate and the Canadian Parliament on infrastructure policy. Mr. van 't Hof is a Chartered Professional Accountant and Chartered Accountant in Ontario and holds an MBA from the University of Toronto. He has served as Chair of the Audit Committees of two international public companies and two private companies.

RAJEEV VISWANATHAN

Ontario, Canada

Chief Financial Officer & Partner Forum Asset Management (investment and development firm)

Director since: 2020

Current term expiry: 2023

Audit Committee

Governance and Stakeholder Relations Committee

Mr. Viswanathan is the CFO and Managing Partner at Forum Asset Management, an alternative asset manager, investor and developer. At Forum, he is responsible for the overall financial management of the firm, including financial strategy, planning, controls, risk management, tax, information technology and reporting. He is also responsible for the ongoing investment and asset management oversight of the firm's investments and sits on Forum's investment committee. Prior to joining Forum, he was the CFO of Dream Global REIT, a Western European, $6 billion, dual-listed (TSX and Frankfurt) commercial office and industrial platform that was acquired in 2019 by Blackstone. Prior to his appointment at Dream Global, Mr. Viswanathan was CFO for Dream Office REIT (TSX-listed). Before Dream, he spend almost a decade at Brookfield holding various senior finance roles, including corporate treasury, and helping to establish Brookfield's Private Funds group. During his tenure with Brookfield, he also worked at General Growth Properties, a US$40 billion shopping mall REIT, where he rebuilt and upgraded various finance capabilities following GGP's bankruptcy emergence. He is a CPA, CA and CFA charterholder, with a Master of Accounting and Bachelor of Mathematics from the University of Waterloo.

All of the Directors of the GTAA have been engaged for more than five years in their current principal occupations, except as set out below:

Douglas Allingham was Chief Executive for AECOM Canada Ltd. from July 1988 to March 2018.

Peter Gregg was President and CEO of Enersource Corporation from April 2014 to June 2017 and was President and CEO of the Independent Electricity System Operator (Ontario) from June 20, 2017, to November 6, 2020.

Michelle McKenzie was Principal of McKenzie Business Strategies from May 2014 to December 2022.

Marc Neeb was Chief Human Resources Officer of Magna International from 2014 to 2019, prior to which he was the Executive Vice President, Global Human Resources.

Rajeev Viswanathan was Chief Financial Officer of Dream Office REIT from 2015 to 2018 and Chief Financial Officer of Dream Global REIT from 2018 to 2019.

Director Independence

All of the Directors of the GTAA's Board are independent, as that term is defined in applicable securities legislation. The Board is a "skills-based" Board; namely, the Directors are recruited on the basis of their abilities, experience and skills needed to oversee the GTAA's complex and industry-leading activities of operating and managing Toronto Pearson.

The Board holds regular meetings, which management attends, and at each Board meeting, management is excused from a portion of the meeting and the Directors meet in camera. The Board also conducts an annual retreat to consider Board governance and strategic matters.

The following table identifies the Director who is currently a director of another reporting issuer in Canada, and the name of such issuer:

Director	Name of Other Reporting Issuer
Lise Fournel	Ontario Teachers' Pension Plan

Board Mandate

The Board is responsible for the overall stewardship of the GTAA, including overseeing the Corporation's governance, strategic direction, and supervising management, which is responsible for the day-to-day conduct of the business and affairs of the Corporation. The Board's written mandate is contained in the Terms of Reference of the Board of Directors, which is attached as Appendix "A" of the corporation's **Annual Information Form**.

Strategic Planning

The Board's mandate includes oversight of the strategic planning process. In connection with the strategic planning process, the Board periodically reviews and approves the Corporation's strategic plan, taking into account, among other things, the opportunities and risks of the Corporation's business.

Risk Oversight

The Board's mandate also includes oversight of the risk assessment process, evaluation of the principal risks to the Corporation's business, and ensuring that the appropriate systems are in place to effectively identify, evaluate, monitor and manage those risks. Risks are assessed using impact and likelihood criteria, including the velocity by which the risk may impact the GTAA.

In connection with these risk oversight responsibilities, the GTAA has developed and implemented an Enterprise Risk Management ("ERM") program that provides a disciplined approach for identifying, assessing, treating and managing risks, and the integration of risk considerations into strategy and opportunity. This enterprise-wide approach enables business and external risks to be managed and aligned with the GTAA's strategic priorities and goals. This process seeks to appropriately mitigate rather than eliminate risk.

The Board's oversight of risk includes environmental, social and governance risk, including climate-related risks. The GTAA's Sustainability Report, published in June of this year, will highlight the GTAA's sustainability approach and performance.

Position Descriptions

Position descriptions for the Board Chair and the Chair of each Committee are contained in the Board of Directors Terms of Reference and relevant Committee Charters.

Orientation and Continuing Education

Each new Director participates in the GTAA's Director Orientation Program. The purpose of this program is to assist new Directors in understanding the nature and operation of the GTAA's business, the role of the Board and its Committees, and the contributions new Directors are expected to make.

The topics addressed in these presentations include the GTAA's governance structure, financial and capital structure, the fiduciary duties and roles and responsibilities of Directors, community and stakeholder relations, terminal and Airport operations, and human resources and labour relations.

The GTAA also has a formal Directors' Continuing Education Policy. Pursuant to the policy, Directors receive tours of the airport facilities that relate to various operational and development matters. The policy also provides opportunities for Directors to tour other airports, attend industry conferences and participate in educational opportunities to enhance their industry knowledge and skills as Directors of the GTAA.

The GTAA's Board participates in regular Directors' education sessions, which are held in conjunction with Committee and Board meetings. These education sessions are provided by subject-matter experts, including speakers from air carriers, government and government agencies, and management on topics related to transportation, aviation, safety, security, stakeholder relations and other matters related to the operation of the airport. In 2022, education sessions were focused on the emergency response, air service development and transit infrastructure and development.

Ethical Business Conduct

The GTAA has a Code of Business Conduct and Ethics (the "Code") that has been approved by the Board. The Code complies with applicable securities laws and represents a comprehensive approach to addressing, among other matters, conflicts of interest, and promoting fair, honest and ethical behaviour by all GTAA Directors, officers, employees and contractors. A copy of the Code may be accessed on SEDAR at **www.sedar.com**.

The Board monitors compliance with the Code. Each year, the Board requires that every Director and officer sign an Annual Declaration, confirming that the signatory has read the Code and stating whether the signatory is in compliance with the Code. Where the signatory is not in compliance with the Code, the declaration states the reasons for such non-compliance. All Directors and officers have confirmed that they were in compliance with the Code in 2022. In addition, the Board has implemented Confidential Anonymous Reporting for Employees ("CARE"), which permits the anonymous reporting of potentially unethical behaviour of an employee, officer or Director.

Nomination of Members

The Governance and Stakeholder Relations Committee is responsible for the Director nominating process, which encompasses the following responsibilities: (a) identifying the knowledge, skills and experience requirements for candidates by using a skills matrix in support of a skills-based Board and communicating these requirements to the nominators, as applicable; (b) determining if nominees are qualified to be Members of the GTAA in accordance with the GTAA's By-Law and assessing their skills, experience and abilities; (c) making recommendations to the Board; and (d) periodically reviewing the nominating process.

Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. The search process includes engaging the Named Community Nominators comprised of the Board of Trade of the City of Brampton, the Board of Trade of the City of Mississauga, The Toronto Region Board of Trade, The Law Society of Ontario, Professional Engineers Ontario and the Chartered Professional Accountants of Ontario.

Five Directors are elected by the Members from candidates nominated by the regional municipalities of York, Halton, Peel and Durham, plus the City of Toronto.

Two Directors are elected by the Members from nominees of the federal government, and one Director is elected by the Members from a nominee of the Province of Ontario.

The nominees may be the incumbent Member if that Member is eligible to serve for another term.

Diversity of Directors and Executive Officers

The GTAA is committed to ensuring that diversity is integrated into all aspects of its hiring policies and practices, including at the Board and executive levels. In 2021, the Board of Directors approved amendments to the Board's Diversity Policy to recognize inclusion as an important value, to expand on the definition of diverse groups, and to include aspirational goals for the representation of women and individuals from diverse groups. Diversity includes not only considerations of gender, but also of race, ethnicity, disability, Indigenous status, cultural background, age and other attributes. Information about the GTAA's Diversity and Inclusion Policy and the diversity of the Board and Executive Officers is set out in the following sections.

a. Directors

As at December 31, 2022, the GTAA's Board included five women or approximately 36 per cent of the total of 14 Directors[1]. In addition, two of its Directors, or 20 per cent, are members of one or more visible minority groups. Under the Board Diversity and Inclusion Policy, the Board aspires to attain by its annual meeting in 2030, and thereafter maintain, a Board composition of which 50 per cent of the Board members are women and of which 30 per cent of the Board members are members of diverse groups.

The Board's Diversity and Inclusion Policy provides that: (a) the Board values the benefits that diversity, equity and inclusion can bring to the Board and recognizes that diversity, equity and inclusion promote different perspectives and ideas, mitigate against conformity of thinking and improve oversight, decision-making and governance; (b) a diverse and inclusive Board is one that makes good use of different skills, and industry and professional experience, and the composition thereof takes into consideration matters such as gender, sexual identity and orientation, cultural background, disability, indigenous status, race, ethnicity, age and other attributes of the Directors; (c) when identifying potential Directors, the Board's objective is to identify the most qualified and highest functioning candidates, with due regard to the benefits of diversity in the Board's composition; and (d) as part of the performance evaluation of the effectiveness of the Board and Board committees, the Governance and Stakeholder Relations Committee balances the skills, experience, independence and knowledge required, as well as the desirability of Board diversity.

b. Executive Officers

As at December 31, 2022, the GTAA had eight[2] executive officers, two of whom (the CEO and the CFO) are members of a minority group. Three of the executive officers, or 38 per cent, are women.

The GTAA has an Employment Equity Plan for all of its employees, including its executive officers, that encourages the recruitment of women, persons with disabilities, Indigenous persons and members of visible minority groups. The Employment Equity Plan includes measures to remove employment barriers and sets timetables and goals to achieve reasonable progress towards a representative workplace. The Employment Equity Plan is one element of the GTAA's overall Diversity and Inclusion strategy.

[1] As of the date of this report, there are two vacancies on the GTAA Board.
[2] As of the date of this report, the GTAA has nine executive officers.

Board Committees

The Board has four standing committees, as follows:

- Audit Committee;
- Governance and Stakeholder Relations Committee;
- Human Resources and Compensation Committee; and
- Planning and Commercial Development Committee.

The Board has developed written Charters for each of these committees.

Audit Committee

The Audit Committee is mandated by the Board to undertake delegated work on the Board's behalf to gain reasonable assurance regarding the integrity of risk management, financial reporting, accounting, auditing and internal controls, as well as to fulfill relevant legal obligations of an Audit Committee of a reporting issuer. The Audit Committee Charter, attached as Appendix "B" of the corporation's **Annual Information Form**, defines the responsibilities of the Committee. The GTAA maintains a separate internal audit function led by the Director, Internal Audit, who reports directly and independently to the Audit Committee.

As at December 31, 2022, the members of the Audit Committee were: Johan van 't Hof (Chair), Lise Fournel, Don Kennedy, Hazel McCallion[1], Eric Plesman, Michelle Samson-Doel and Rajeev Viswanathan.

Relevant Education and Experience of Audit Committee Members

Each of the members of the Audit Committee is "financially literate" and "independent," as those terms are defined in applicable securities laws. For a description of the relevant education and experience of Audit Committee members, see the bios of Audit Committee members in Section 7.1 of the corporation's **Annual Information Form**.

Governance and Stakeholder Relations Committee

The Governance and Stakeholder Relations Committee is charged with overseeing the effective governance of the GTAA and making recommendations to the Board and its Committees on measures to enhance effectiveness. The Committee also oversees the GTAA's stakeholder relations and communications strategy for building brand and social licence.

The Committee is also responsible for overseeing the Board Member nomination process; maintaining a skills matrix to identify desired skills, experience and other attributes; recruiting, interviewing and assessing candidates to the Board, and recommending the issuance of Memberships to candidates; Board succession planning; the orientation program for new Directors; overseeing Director continuing education; assessing the effectiveness of the Board and Committees; and overseeing adherence to corporate governance requirements.

As at December 31, 2022, the members of the Governance and Stakeholder Relations Committee were: Michele McKenzie (Chair), Nafisah Chowdhury, Peter Gregg, Hazel McCallion[3] and Rajeev Viswanathan.

Human Resources and Compensation Committee

The Human Resources and Compensation (HR&C) Committee's mandate is to oversee matters related to the GTAA's human resources strategy, including executive compensation, succession planning, development, talent management, performance oversight, recruitment, compensation matters relating to the President and Chief Executive Officer and other executives, and matters relating to enterprise-wide human resources risks, policies and relevant matters.

As at December 31, 2022, the HR&C Committee was composed of the following Directors: Marc Neeb (Chair), Nafisah Chowdhury, Jeff Fegan, Peter Gregg, Michele Mckenzie, Michelle Samson-Doel and Mark Schwab.

See "Role of the Human Resources and Compensation Committee" for additional disclosure regarding the Committee and its role and responsibilities.

Planning and Commercial Development Committee

The Planning and Commercial Development Committee's mandate includes overseeing the Corporation's 2017–2037 Master Plan and Land Use Plan, ensuring that the Corporation has an appropriate up-to-date and approved Long-Term Infrastructure Plan, environmental reporting, oversight of commercial development of the airport, planning and development activities including real estate development, ensuring utilization of infrastructure and facilities to meet the needs of the GTAA's passengers and stakeholders including air carriers and cargo shippers, and ensuring that the Corporation has in place the systems necessary to undertake such matters.

The Committee is also responsible for reviewing and making recommendations with respect to capital projects in excess of the CEO's delegated authority, overseeing the effective implementation of material capital projects, providing feedback to management on strategic capital projects, and overseeing the effectiveness of risk management of commercial development and planning-related risks.

As at December 31, 2022, the members of the Planning and Commercial Development Committee were: Don Kennedy (Chair), Jeff Fegan, Lise Fournel, Marc Neeb, Eric Plesman, Mark Schwab and Johan van 't Hof.

[1] Ms. McCallion's term ceased in January 2023.

Officers

On December 31, 2022, the officers of the GTAA were

Name and Residence	Position Held
Deborah Flint Ontario, Canada	President and Chief Executive Officer
Craig B.M. Bradbrook Ontario, Canada	Chief Operating Officer
Martin Boyer Ontario, Canada	Vice President and Chief Information Officer
Mark Carbonelli Ontario, Canada	Chief Human Resources Officer
Ian L.T. Clarke[1] Ontario, Canada	Chief Financial Officer
Katherine Hammond Ontario, Canada	Vice President, General Counsel, Corporate Safety and Security
Karen Mazurkewich Ontario, Canada	Vice President, Stakeholder Relations and Communications
Patrick C. Neville Ontario, Canada	Vice President, Airport Development and Technical Services
John Peellegoda[2] Ontario, Canada	Treasurer

1 Ian L. T. Clarke retired from the GTAA effective December 31, 2022.
2 John Peellegoda, Treasurer, is an officer but not an executive officer of the GTAA.

The following officers of the GTAA have held previous executive or employee positions at other companies during the last five years:

Mark Carbonelli was Chief People Officer of Dentalcorp Canada from 2016 to 2019 and Chief People Officer at TPH from 2019 to 2021.

Deborah Flint was Chief Executive Officer of Los Angeles World Airports from 2015 to 2019. Ms. Flint currently serves on the Board of Directors of Honeywell International Inc.

Katherine Hammond was Vice President, Legal at OMERS Infrastructure from April 2012 to July 2018.

Karen Mazurkewich was Vice President, Strategic Communications from November 2019 to June 2022, and Lead Executive, Communications and Marketing from December 2014 until November 2019 at MaRS Discovery District, and Executive Editor from June 2020 until June 2022 of Innovation Economy Council.

John Peellegoda was Director, Capital Planning and Treasury at Algonquin Power & Utilities Corporation from May 2017 to October 2018 and was Senior Manager, Treasury and Corporate Finance from January 2012 to May 2017.

Management's Discussion & Analysis

For the Year Ended December 31, 2022

FORWARD-LOOKING INFORMATION

*This Management's Discussion and Analysis ("MD&A") contains certain forward-looking information. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Please refer to the section titled "**Caution Regarding Forward-Looking Information**" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking information.*

This report discusses the financial and operating results of the Greater Toronto Airports Authority (the "GTAA" or the "Company") for the year ended December 31, 2022 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2022 and 2021, and the Annual Information Form for the year ended December 31, 2022. These documents provide additional information on certain matters that may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and the Consolidated Financial Statements referred to above, is available on SEDAR at **www.sedar.com**. The GTAA's Consolidated Financial Statements and MD&A are also available on its website at **www.torontopearson.com**.

Corporate Profile

The GTAA is a corporation without share capital under the *Canada Not-for-profit Corporations Act* and a designated airport authority under the *Airport Transfer (Miscellaneous Matters) Act*. The GTAA manages and operates Toronto – Lester B. Pearson International Airport (the "Airport" or "Toronto Pearson") under a ground lease with the federal government, dated December 2, 1996 (the "Ground Lease"). The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years at the option of the GTAA. The Ground Lease is available on SEDAR at **www.sedar.com** and on the GTAA's website at **www.torontopearson.com**. The GTAA's wholly-owned subsidiary, Malton Gateway Inc. ("MGI"), a holding company, was incorporated in April 2017 and holds the shares of Airway Centre Inc. ("ACI"), which was also incorporated in April 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation or maintenance of the Airport. The properties acquired by ACI do not form part of the premises leased to the GTAA by the federal government under the Ground Lease.

Select Key Financial and Operational Information

	2022	2021	Change[1]		2020
($ millions)				%	
Total Revenues	**1,491.9**	826.8	665.1	80.4	823.5
Total operating expenses (excluding impairment of investment property and amortization)	**733.3**	508.4	224.9	48.7	544.7
EBITDA[2, 3]	**758.6**	318.4	440.2	138.3	278.8
EBITDA Margin[2, 3]	**50.8%**	38.5%		12.3 pp	33.9%
Earnings (Loss) Before Interest, Net[4]	**395.3**	(14.2)	409.5	2,883.8	(69.0)
Net Income (Loss)	**72.3**	(350.4)	422.7	120.6	(383.4)
See "Results of Operations" for details					
See Net Operating Results for reconciliation from net income (loss) to EBITDA					
Free Cash Flow[5] ($ millions)	**235.4**	(46.3)	281.7	608.4	(513.1)
See "Liquidity and Capital Resources" section for details					
Passenger Activity (millions)					
Domestic	**14.3**	6.8	7.5	111.5	5.5
International	**21.3**	5.9	15.4	260.1	7.8
Total	**35.6**	12.7	22.9	180.8	13.3
Flight Activity					
Aircraft movements (thousands)	**336.8**	173.0	163.8	94.7	174.4
MTOW[6] (million tonnes)	**30.1**	16.4	13.7	83.7	16.0
Seats (millions)	**44.9**	20.0	24.9	124.1	21.9
Load factor	**79.3%**	63.3%		16.0 pp	60.7%
See "Operating Activity" section for details					

At December 31					2020
Total Debt ($ millions)	**6,802.4**	7,213.7	(411.3)	(5.7)	7,002.8
Net Debt[7]	**6,296.2**	6,532.9	(236.7)	(3.6)	6,481.8
Key Credit Metrics ($)					
Total Debt / Enplaned Passenger[7]	**382**	1,136	(754)	(66.4)	1,052.0
Net Debt[8] / Enplaned Passenger[7]	**353**	1,029	(676)	(65.7)	974.0
See "Liquidity and Capital Resources" section for details					

1 "Change" is based on detailed actual numbers (not rounded as presented); pp = percentage points.
2 EBITDA, a non-GAAP financial measure, is operating earnings before interest and financing costs, impairment of investment property and amortization. Refer to section "**Non-GAAP Financial Measures**".
3 Refer to "**Results of Operations – Net Operating Results**" section for EBITDA and EBITDA margin narrative details.
4 Earnings (Loss) before interest, net is (loss) earnings before interest and financing costs, net. Refer to "**Results of Operations – Net Operating Results**" section for narrative details.
5 Free cash flow, a non-GAAP financial measure, is cash generated from operations, less cash interest, financing costs and capital expenditures. Refer to section "Non-GAAP Financial Measures". See "**Liquidity and Capital Resources**" section for narrative details and the free cash flow calculation.
6 MTOW is aircraft maximum take-off weight of each aircraft as specified by the aircraft's manufacturers.
7 For credit metric purposes, enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.
8 Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "**Non-GAAP Financial Measures**".

Overview

The GTAA's mandate includes developing, managing and operating airports within the south-central Ontario region, including Toronto Pearson. The GTAA has the right to set fees and charges for the use of Toronto Pearson and to develop and improve its facilities. Toronto Pearson is a global hub that connects flights to and from other domestic and international destinations.

Operational Performance Summary

During 2022, operating activity at the Airport grew significantly from 2021 and 2020, however, it continued to be below 2019 levels (pre-COVID-19 pandemic). Passenger activity during 2022 was 70.5 per cent of activity in 2019.

In particular:

- Toronto Pearson processed 35.6 million passengers, an increase of 22.9 million or 180.8 per cent more passengers than it did in 2021 due to the easing of the pandemic and associated travel restrictions, and pent-up travel demand;
- Passenger volumes at Toronto Pearson significantly increased to an average of 97,500 per day from an average of 34,800 per day in 2021;
- The average number of flights increased to 921 per day as compared to 473 per day in 2021;
- The average number of airlines operating at Toronto Pearson increased to 57 from 50 when compared to 2021;
- However, the number of passenger and flight activity remains lower than historic measures, particularly when compared to 2019, when passenger volumes averaged 138,000 per day and number of flights averaged 1,275 per day.

Financial Performance Summary

During 2022, the GTAA:

- Earned revenues of $1.5 billion, an increase of $0.7 billion or 80.4 per cent, compared to 2021, recovering to 98.1 per cent of 2019 revenues;
- Earned net income of $72.3 million, an increase of $422.7 million, compared to the net loss of $350.4 million in 2021; and
- Generated free cash flow of $235.4 million, an increase of $281.7 million, compared to 2021.[1]

The GTAA generated net income for the first fiscal year since 2019 (pre-COVID-19).

Operational Challenges in Recovery

With the continued easing of pandemic-related travel restrictions in Canada and abroad, travel volume increased significantly throughout 2022, as compared to 2021. Certain public health practices and processes regarding COVID-19 were still in place while travel volumes increased significantly. As the GTAA and its stakeholders responded to service this increasing demand, the peak hours of travel volumes were often met with several transitory challenges. These included long lines for pre-boarding security screening and congestion on arrival at Canada Customs that led to holding aircraft at gates and metering passengers into the Customs Hall. Airlines cancelled flights at the last-minute and struggled to reunite passengers with their luggage. The Airport's baggage system also experienced resiliency issues.

During 2022, with the unexpected surge in air traffic volume, staffing challenges had broad and challenging impacts on the aviation sector as a whole, including:

- Airlines and their service providers strived to provide timely aircraft arrivals and departures service;
- Government agencies struggled to provide adequate or consistent security, border and customs services;
- The country's air navigation operator was unable to provide, at certain times, adequate and consistent service; and
- The unprecedented influx of new workers resulted in delays in obtaining a transportation security clearance and restricted area identity card.

The flow of baggage has been particularly challenged with the return of strong demand for travel. Staff shortages in airline ground handlers, interruptions to the Airport's baggage system operations and the poor on-time performance of airlines have impacted the timely flow of baggage and delivery to passengers. These have resulted in a high number of bags missing their connecting flights, having to be processed manually by airline staff at an intermediate connecting airport, many of which were short staffed, and forwarded on later flights that were already at full capacity. The GTAA and Toronto Pearson stakeholders have worked urgently to address various issues facing the baggage system operations and continue to take steps to improve its resiliency and efficiency.

The GTAA faced challenges with U.S. Customs and Border Protection ("USCBP") operating reduced hours for pre-clearance and maintaining USCBP staffing at lower numbers than 2019 levels. As a result, wait times to clear U.S. Customs frequently exceeded 60 minutes during peak hours of summer 2022.

[1] Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows less interest and financing costs paid, net of interest income, less capital expenditures (property and equipment, and investment property). Refer to section "**Non-GAAP Financial Measures**".

The GTAA and airlines operating at Toronto Pearson increased the workforce required to serve surging travel demand, whether by recalling employees who were laid off earlier in the pandemic or who were on leaves of absence due to the mandatory vaccination policy (described below) or by hiring new staff. The Government of Canada assisted by hiring additional Canadian Air Transport Security Authority ("CATSA") security screening staff, as well as the Canada Border Services Agency ("CBSA") officers, complimented by summer students. The GTAA and Transport Canada collaborated on process changes designed to increase the efficiency and timely processing of restricted area passes and transportation security clearances.

Operational Improvements

Through collaboration with airlines, ground handlers, and other Airport partners, the GTAA has made significant operational progress in 2022 and introduced various programs aimed at improving the passenger experience.

Over the course of June to August 2022, the GTAA made process flow improvements in the Terminal 1 Customs Hall by adding 12 new eGates and 34 new primary inspection kiosks. In August 2022, 20 new generation kiosks were installed in Terminal 3 to improve capacity, passenger flows and wait times to meet passenger demand. All devices have been configured to take advantage of CBSAs Advanced Declaration process, which if completed before travel, can enable passengers to be processed in approximately 40 seconds at an e-Gate in the Customs Hall.

Not only have the delays and cancellation metrics for flights improved from the third quarter of 2022 to the fourth quarter of 2022, but the GTAA has also delivered on its commitment to increase data transparency to assist with delivering a more seamless experience for passengers. During the fourth quarter of 2022, the GTAA launched a new live wait-time dashboard that provides passengers with real-time information on check-in, security screening, customs, and baggage delivery wait times.

During the second half of 2022, the GTAA has worked collaboratively with partners to facilitate the following programs designed to improve passenger flow at the Airport:

- The implementation of YYZ Express, an online reservation program allowing passengers to pre-register a time for security screening queues;
- The introduction of Advance Declaration on e-Gates and kiosks inside the Canada Customs Hall which reduced processing time for internationally arriving passengers;
- An enhanced Trusted Traveller pilot program with CATSA for passenger pre-board screening designed to help speed up screening for enrolled passengers;
- Creating additional processing spaces in Terminals 1 and 3 to process arriving international students through the Airport immigration process faster, which reduced congestion for other international arriving travellers; and
- The introduction by USCBP of Mobile Passport Control, an app that allows travellers to the United States to digitally submit their information for a smoother departure from Toronto Pearson.

Executive Announcements

On June 6, 2022, Karen Mazurkewich commenced as the GTAA's new Vice President, Stakeholder Relations & Communications.

Ian Clarke, Chief Financial Officer ("CFO") retired effective December 31, 2022. John Peellegoda, Treasurer, was interim CFO between January 1, 2023 and February 5, 2023. On February 6, 2023, J'Maine Chubb commenced as the GTAA's new CFO.

Pat Neville, Vice President of Airport Development and Technical Services, retired effective February 23, 2023. The new Chief Infrastructure Officer, Bernardo Gogna, commenced on February 23, 2023.

On February 27, 2023, Khalil Lamrabet commenced as the GTAA's new Chief Commercial Officer.

Subsequent to year end December 31, 2022, the GTAA announced that Martin Boyer, Vice President and Chief Information Officer, will retire effective April 12, 2023. The GTAA has begun the search process to replace Mr. Boyer.

COVID-19 Pandemic Measures During 2022

During 2022, the GTAA, both solely and in cooperation with government, stakeholders and employees, has taken numerous actions in response to the pandemic.

a. *Passenger and Safety Response*

   - Toronto Pearson's "Healthy Airport" official mark is a commitment with partners, government agencies and stakeholders designed to set strong, consistent, reliable standards for passenger and airport worker health protection. The Healthy Airport commitment is a comprehensive program introduced in 2020 that continues to adapt to changing circumstances and evolving public health measures. The program outlines the steps that the Airport and its partners have implemented to help restore and maintain confidence in the safety of air travel during and after the COVID-19 pandemic.

- Effective October 1, 2022, the Government of Canada suspended all COVID-19 vaccination requirements, including the vaccination requirement for passengers arriving from the United States or other countries, and the requirement to wear masks in Canadian airports and onboard aircraft operated by Canadian air carriers. Passengers arriving from the United States and other countries may, but were no longer required to, use the ArriveCan app to provide travel information to CBSA. The ArriveCan app, with its integrated Advance Declaration, has reduced processing times significantly, and the GTAA continues to promote the ArriveCan app's use for this purpose.

a. *Testing*

- Since the beginning of the pandemic, both the provincial and federal governments have implemented various measures to address the spread of COVID-19 in the context of achieving safe air travel. The GTAA has cooperated with the governments to help protect the safety of passengers and workers.
- During the first three quarters of 2022, various COVID-19 testing requirements were still in place. Refer to previous 2022 quarterly MD&A disclosure filings for further details.
- Effective October 1, 2022, the Government of Canada suspended all COVID-19 border restrictions. This change means all travellers, regardless of citizenship, no longer have to:
  - provide proof of vaccination to board or leave aircraft in Canada;
  - wear masks on planes or in the Airport;
  - go through pre- or on-arrival COVID-19 testing, however, effective January 5, 2023, all passengers arriving directly from China, Hong Kong or Macao were required to provide proof of a negative COVID-19 test to the respective airline prior to boarding the flight to Canada;
  - stay in COVID-19 related quarantine or isolation;
  - monitor and report signs or symptoms of COVID-19 that develop since arriving in Canada; and
  - submit health information through the ArriveCan app, but travellers may use the app to submit customs and immigration declarations before they arrive at certain airports.
- In light of evolving and easing of travel restrictions, the GTAA continues to adapt its operations to support continued monitoring of COVID-19. For example:
  - Wastewater testing is an alternative, non-invasive way to test for new variants instead of impeding passenger flow by swabbing passengers as they arrive at the Airport. The Public Health Agency of Canada ("PHAC") and the Ontario Ministry of the Environment, Conservation and Parks ("MECP") are conducting wastewater testing at Toronto Pearson as part of a broader, national surveillance program. Toronto Pearson is the first airport in Canada where this type of testing is taking place; and
  - Additionally, and concurrently to the PHAC/MECP program, in the third quarter of 2022, the GTAA started a wastewater testing innovation pilot to undertake a trial of new technologies to conduct wastewater testing onsite at the Airport, funded by a research grant provided by the National Research Council of Canada, Industrial Research Assistance Program.

b. *Government Financial Support*

- Transport Canada announced on March 14, 2022, up to $142.0 million in new funding under the Airport Critical Infrastructure Program ("ACIP") to help Toronto Pearson and to support continued air services and important transportation infrastructure projects at the Airport. The ACIP program is intended to help airports mitigate the financial impact of the COVID-19 pandemic, as part of the Government of Canada's strategy to ensure that Canada's air transportation system provides Canadians with choice, connectivity and affordable air travel. The funding will be used to offset costs associated with GTAA's projects on the reconstruction of a runway; to develop and install new check-in service kiosks, boarding and border clearance systems; and to conduct studies and produce a development concept to connect Toronto Pearson with the proposed extension of the Eglinton Crosstown Light Rail Transit ("LRT"). Refer to the '**Capital Projects**' section for details on reimbursements from Transport Canada for the respective projects.

c. *Management's Financial Assessment*

- Management continues to analyze the extent of the financial impact of the COVID-19 pandemic, which has now diminished, and to implement recovery plans. In the long term, the GTAA believes that full recovery will be achieved, and the pandemic will not have a material impact on the long-term financial sustainability of the Airport.
- Given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

In light of the dynamic operating environment, Management focuses its support on the safety of passengers and Airport workers, efficient and safe flow of passengers, and the financial sustainability of the organization.

Aviation Industry, Operational and Environmental Recognition

In February 2022, the GTAA was included in Forbes list of Canada's Best Employers.

On March 10, 2022, Toronto Pearson was named best large airport in North America for the fifth year in a row and was awarded best hygiene measures for the second year running by the Airports Council International. Toronto Pearson also received the Airport Health Accreditation for a third year running.

On September 23, 2022, Airports Council International's Airport Carbon Accreditation program designated Toronto Pearson among the first airports to receive the Level 4 – Transformation designation.

On December 6, 2022, Toronto Pearson became the first airport in North America and second in the world to receive the Airports Council International accreditation under the Accessibility Enhancement Accreditation program.

On February 27, 2023, Toronto Pearson received accreditation from Airports Council International for the Public Health & Safety Readiness Accreditation program. This program has been designed to help airports assess the level of alignment of their public health and safety measures as well as the degree of readiness to manage future public health and safety disruptive events.

Operating Activity

The GTAA's key activity drivers, which have a direct impact on its financial results, are passenger levels and flight activity, including aircraft movements, size and seats.

Passenger Activity

With the continued easing of pandemic-related travel restrictions in Canada and abroad, travel volume increased significantly throughout 2022, as compared to 2021. However, staffing challenges and other COVID-19 related procedural changes, have impacted the whole sector, particularly the airline industry, CATSA, CBSA and USCBP officers, and at NavCanada. Canadian airport operators, the Government of Canada and the airline industry have been working to address these various transitory challenges collectively.

Total passenger traffic at the Airport is categorized into one of two sectors: domestic (passengers travelling within Canada) and international (passengers travelling to and from destinations outside Canada).

During 2022, 35.6 million passengers traveled through the Airport, a significant increase of 22.9 million or 180.8 per cent, as compared to 2021. During 2022, the largest growth was in the international sector with an increase of 15.4 million or 260.1 per cent, whereas the domestic sector recorded an increase in passenger traffic of 7.5 million or 111.5 per cent, when compared to 2021. Passenger activity increased given the easing of pandemic-related travel restrictions, and pent-up travel demand, compared to 2021.

The following table summarizes passenger activity by sector for the years ended December 31, 2022, 2021 and 2020:

Passenger Activity[1]	**2022**	2021	Change[2]		2020
(in millions)				%	
Domestic	**14.3**	6.8	7.5	111.5	5.5
International	**21.3**	5.9	15.4	260.1	7.8
Total	**35.6**	12.7	22.9	180.8	13.3
(in millions)					
Origin and destination	**26.0**	9.3	16.7	179.6	9.3
Connecting	**9.6**	3.4	6.2	183.8	4.0
Total	**35.6**	12.7	22.9	180.8	13.3
Origin and destination	**72.9%**	73.2%		(0.3)pp	70.0%
Connecting	**27.1%**	26.8%		0.3pp	30.0%
Total	**100.0%**	100.0%			100.0%

1 Based on Airline reporting, passenger estimates may vary from actual numbers.
2 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.

Passengers are further segmented into two principal types of passengers: origin and destination passengers, and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, which measure reflects the economic health of a region, while a connecting passenger changes aircraft at that same airport en route to a final destination, which measure indicates the strength of a hub.

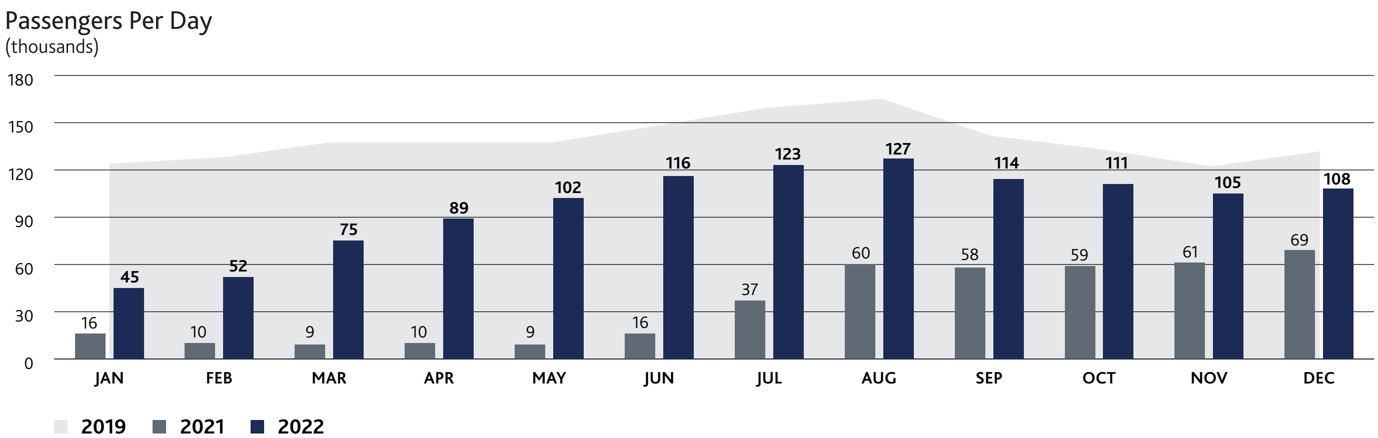
During 2022, the number of origin and destination passengers increased 16.7 million or 179.6 per cent to 26.0 million passengers while the number of connecting passengers increased 6.2 million or 183.8 per cent to 9.6 million passengers, when compared to 2021. During 2022, the percentages of origin and destination passengers and connecting passengers were 72.9 per cent and 27.1 per cent, respectively, compared to 73.2 per cent and 26.8 per cent, respectively, in 2021.

During 2022:

- Toronto Pearson's passenger activity was initially impacted by the COVID-19 pandemic in the first couple of months however, the remaining year's activity benefited from the easing of the pandemic and government restrictions, and the pent-up demand for travel;
- Passenger volumes at Toronto Pearson significantly increased to an average of 97,500 per day from an average of 34,800 per day in 2021;
- The average number of flights increased to 921 per day as compared to 473 per day in 2021; and
- The average number of airlines operating at Toronto Pearson increased to 57 from 50 when compared to 2021.

During the fourth quarter of 2022, passenger activity recovered to 78.9 per cent of 2019 passenger activity.

The following table outlines the average daily number of passengers per month that travelled through Toronto Pearson during 2022, as compared to 2021 and 2019 (pre-COVID-19).



During 2022, the COVID-19 pandemic impacted passenger levels and flight volumes negatively, however, these volumes were significantly higher than 2021. Factors and restrictions that negatively impacted passengers and travel during 2022 were, at various times:

- travel restriction rules in place by other countries that restricted travel and imposed additional testing and health requirements from Canada, such as the ongoing vaccination mandate to travel to the United States;
- travel rules in place by the Canadian government that restricted travel to Canada, which changed often, thus, confusing travellers and suppressing demand, including the use of the ArriveCan app;
- the general confusion and uncertainty around changing traffic restriction rules that varied by country, with significant penalties for non-compliance;
- air carrier ad hoc changes, delays and cancellations in flight schedules; and
- COVID-19 variants of concern, some of which were believed to be more contagious than other variants.

Flight Activity

Flight activity is measured by aircraft movements, defined as a landing or takeoff of an aircraft. Each aircraft has a maximum take-off weight ("MTOW"), as specified by the aircraft manufacturers, and total number of seats. MTOW and seats are used to calculate the majority of posted air carrier charges for each aircraft landing. The load factor, the ratio of passengers to seats, is a measure of aircraft capacity utilization and is computed as a percentage of seats filled by passengers.

The following table summarizes aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor for the years ended December 31, 2022, 2021 and 2020.

Flight Activity[1]	**2022**	2021	Change[2]		2020
(in thousands)				%	
Aircraft movements[3]	**336.8**	173.0	163.8	94.7	174.4
Passenger aircraft movements	**292.5**	136.5	156.0	114.3	149.1
Non-passenger aircraft movements	**44.3**	36.5	7.8	21.4	25.3
(in millions)					
MTOW (tonnes)	**30.1**	16.4	13.7	83.7	16.0
Seats	**44.9**	20.0	24.9	124.1	21.9
Seats per passenger aircraft movement	**153.6**	146.9	6.7	4.3	147.1
Load factor	**79.3%**	63.3%		16.0pp	60.7%

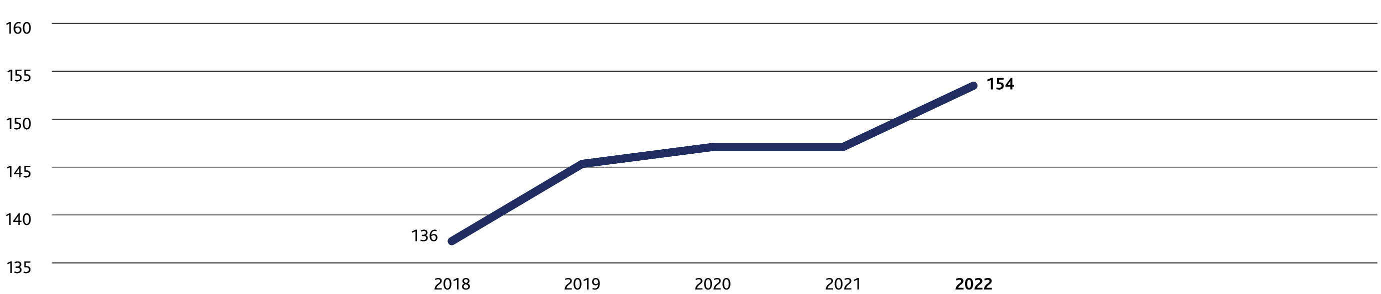
1 Flight activity measures above reflect both arriving and departing flights.
2 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.
3 Aircraft movements include both passenger and non-passenger aircraft movements.

During 2022, aircraft movements, which include both passenger and non-passenger, increased 94.7 per cent, as compared to 2021; passenger aircraft movements increased 114.3 per cent; non-passenger aircraft movements increased 21.4 per cent; and MTOW increased 83.7 per cent to 30.1 million tonnes. These increases were all due to several factors including the easing of travel restrictions and the partial recovery of passenger and non-passenger travel.

During 2022, seats increased by 124.1 per cent to 44.9 million seats, compared to 2021. The number of seats per passenger aircraft movement during 2022 increased by 4.6 per cent to 153.6 seats, compared to 2021. This is due to the resumption of international travel since the second quarter of 2022, including long-haul passenger flights that typically operate with larger aircraft. Load factors during 2022 increased 16.0 percentage points, compared to 2021.

As the chart below illustrates, the number of seats per passenger aircraft movement has been increasing over the last five years.

Seats per Passengers Aircraft Movement



Seats per passenger aircraft movement is an important strategic statistic, since upgauging by airlines with bigger planes allows more passengers in aggregate to travel through Toronto Pearson, while staying within the safety and other aircraft movement limitations of aggregate runway capacity.

Five new airlines started operation at Toronto Pearson during the second quarter of 2022: Canadian North, Air North, Lynx Air, Royal Jordanian and SAS (Scandinavian Airlines). Three airlines returned to Toronto Pearson during the second quarter of 2022 after a prolonged hiatus: Condor, EVA Air and OWG (Off We Go). Two new airlines started operations at Toronto Pearson during the third quarter of 2022: Canada Jetlines and Biman Bangladesh. During 2022, El Al Israel Airlines discontinued operations at Toronto Pearson. Subsequent to 2022, Porter Airlines commenced operations at Toronto Pearson on February 1, 2023.

Results of Operations

The following section discusses the GTAA's approach to setting its fees and charges, together with its financial results. Under the GTAA's financial model, funds generated at the Airport are used for Airport operations, ancillary aviation-related activities, construction, acquisitions, repairs and maintenance, and debt service (interest and repayment of principal).

Aeronautical Fees and Charges and AIF

The GTAA has the right to set aeronautical fees and charges as required at any time. In practice, the GTAA establishes aeronautical fees and charges on an annual basis and historically has notified the airlines in September of such changes. The GTAA also has Airport Improvement Fee ("AIF") agreements with each air carrier that takes off from and lands at Toronto Pearson whereby air carriers undertake to collect AIF from each of their enplaned passengers on the GTAA's behalf.

Effective January 1, 2022, the following changes to aeronautical rates were implemented:

- Aeronautical rates for commercial aviation increased by 3 per cent; and
- Aeronautical rates for all business and general aviation aircraft, regardless of weight, increased to $850 per arrival movement.

On September 28, 2022, the GTAA announced the following changes to aeronautical rates and AIF, and effective January 1, 2023, the following were implemented:

- Aeronautical rates for commercial aviation, including business and general aviation aircraft, increased by 4 per cent;
- The AIF for departing passengers increased by $5 to $35 per passenger; and
- The AIF for connecting passengers increased by $1 to $7 per passenger.

Management plans for the increase to: help the Company resume projects put on hold as a result of the COVID-19 pandemic; fund renewal and replacement of existing assets; fund projects that digitalize the Airport and improve the Airport's growth, competitiveness and environmental sustainability; and address higher operating costs.

The pandemic has had a significant negative impact on air carriers operating at the Airport, including Toronto Pearson's key hub airlines, Air Canada and WestJet. During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with each of these carriers in part to adjust the fees paid under the agreements to reflect the reduced flight activity. Under the amended agreements, for the remainder of 2020 and the entirety of 2021, each carrier was required to pay amounts calculated on the basis of: (i) the GTAA's standard aeronautical fees plus (ii) a portion of the respective variance between the standard aeronautical fees amount and the original base fee payable under the agreements for those years. Each of the carriers paid in 2022 and will pay in 2023 revised amounts calculated using a combination of the GTAA's standard aeronautical fees and the original base fee. Each carrier will continue to be eligible for rebates, should flight and passenger activity recover, and original contracted growth thresholds are exceeded in a given year. The long-term aeronautical fees agreements with both carriers expire at the end of 2023.

Revenues

Revenues are derived from i) aeronautical fees and charges (which include landing fees, general terminal charges and apron fees), ii) AIF and iii) commercial revenues (which include car parking, ground transportation, concessions, rentals, counter fees, check-in fees, deicing facility fees and other sources). Rentals include leasing activities for both the GTAA and ACI.

Landing fees are based on the MTOW of arriving aircraft; general terminal charges are based on the number of seats of an arriving aircraft; and apron fees are based on the usage of apron and aircraft gates and bridges. The AIF is charged on a per-enplaned passenger basis, with a different rate for originating and departing passengers as opposed to connecting passengers. A significant portion of commercial revenues is correlated with passenger activity.

The following table summarizes the GTAA's consolidated revenues for the years ended December 31, 2022, 2021 and 2020.

Revenues	2022	2021	Change[1]		2020
($ millions)				%	
Landing fees	**367.4**	247.5	119.9	48.5	248.0
General terminal charges	**205.1**	126.6	78.5	62.0	137.6
Aeronautical Revenues	**572.5**	374.1	198.4	53.0	385.6
Concessions and rentals	**269.4**	193.1	76.3	39.5	212.2
Car parking and ground transportation	**175.4**	70.3	105.1	149.7	79.6
Other	**61.6**	42.0	19.6	46.7	17.6
Commercial Revenues	**506.4**	305.4	201.0	65.8	309.4
Airport Improvement Fees	**413.0**	147.3	265.7	180.3	128.5
Total Revenues	**1,491.9**	826.8	665.1	80.4	823.5

1 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.

Aeronautical revenues increased 53.0 per cent to $572.5 million during 2022, when compared to 2021, due to significant growth in flight activity.

Consolidated concession and rental revenues increased 39.5 per cent to $269.4 million during 2022, when compared to 2021. This increase was mainly due to the significant growth in operating activity and almost all commercial units being reopened in 2022 as compared to 2021. The GTAA's concession revenues, which includes revenues from retail tenants, advertising and sponsorship partners at the Airport, increased 72.5 per cent to $117.9 million during 2022, when compared to 2021. Rental revenues increased 21.4 per cent to $151.5 million during 2022, when compared to 2021. Excluding ACI revenues, rental revenues increased 29.4 per cent to $117.4 million during 2022, when compared to 2021.

During the 12-month period prior to the end of December 31, 2022, retail store sales per enplaned passenger ("SPE") at Toronto Pearson were $28.45 versus $25.83 in 2021, a $2.62 or 10.1 per cent increase. The increase was primarily due to the growth in the food and beverage, and foreign currency exchange businesses, and the addition of four new commercial partners during 2022. Retail store sales are the gross sales generated by the GTAA's commercial tenants (including retail, food and beverage, lounges and services). These tenants, under their leasehold agreements with the GTAA, pay either a Minimum Annual Guarantee ("MAG") or a percentage of gross sales to the GTAA as rent, whichever is higher. A small number of partners have a MAG plus percentage rent in their lease agreements.

During 2022, with the increase in passenger activity and the easing of COVID-19 restrictions, 98 per cent of retail, food and beverage units were open, compared to 60 per cent during 2021, which has increased revenues.

Car parking and ground transportation revenues increased 149.7 per cent to $175.4 million during 2022, when compared to 2021. The increase was mainly due to the increased operating activity growth and revenue management in 2022. The Value Park Garage, Valet, Terminal 3 rooftop and Viscount Station Reserve reopened during the first quarter of 2022, whereas the surface lot parking (i.e., uncovered parking which requires snow clearing), including the remaining rooftops, and Car Care reopened during the second quarter of 2022. In addition, ground transportation revenues increased due to newly negotiated agreements with on-Airport car rental companies and greater revenues from increased prices reflecting a shortage of vehicles.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 46.7 per cent to $61.6 million during 2022, when compared to 2021. The changes in other revenues were primarily from the deicing operations. The deicing revenues are based and calculated on a cost-recovery model.

AIF revenues increased 180.3 per cent to $413.0 million during 2022, when compared to 2021. The increase was due to the increased passenger volume slightly offset by a higher proportion of connecting versus originating/departing passengers.

Expenses

Expenses include the costs to operate and maintain the Airport, interest and financing costs, and amortization of property and equipment, investment property and intangible assets.

The following table summarizes GTAA's consolidated expenses for the years ended December 31, 2022, 2021 and 2020.

Expenses	2022	2021	Change[1]		2020
($ millions)				%	
Ground rent	**163.7**	64.8	98.9	152.8	15.6
PILT[2]	**12.2**	42.3	(30.1)	(71.2)	40.3
Total ground rent and PILT	**175.9**	107.1	68.8	64.3	55.9
Goods and services	**359.4**	249.4	110.1	44.1	315.3
Salaries, wages and benefits	**198.0**	151.9	46.1	30.3	173.5
Total Operating Expenses before Impairment of Investment Property and Amortization	**733.3**	508.4	224.9	48.7	544.7
Impairment of investment property	**23.0**	–	23.0	100.0	–
Amortization of property and equipment, investment property and intangible assets	**340.3**	332.6	7.7	2.3	347.8
Total Operating Expenses	**1,096.6**	841.0	255.6	30.4	892.5
Interest expense on debt instruments and other financing costs, net of interest income	**323.0**	336.2	(13.2)	(3.9)	314.4
Total Expenses	**1,419.6**	1,177.2	242.4	20.6	1,206.9

1 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.
2 Payments-in-lieu of real property taxes to municipalities.

Ground rent payments to the federal government are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at progressively increasing rates with a top rate of 12 per cent of Airport Revenues in excess of $250 million. Ground rent expense increased by 152.8 per cent to $163.7 million during 2022, when compared to 2021, primarily due to the significant increase in revenues and, to a lesser extent, the deferred ground rent in 2021, the latter amount representing the present value of future deferred rent payments that take into account the time value of money.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation under the *Assessment Act*. The annual PILT is based on actual passenger volumes from two years prior and further to an amendment in February 2022 to the regulation, the maximum annual increase of 5.0 per cent under the regulation is temporarily suspended beginning in 2022, until Toronto Pearson's passenger volumes return to 2019 levels. The PILT expenditure decreased 71.2 per cent to $12.2 million during 2022, when compared to 2021, as it was based on 2020 passenger levels. ACI pays municipal real property taxes in the ordinary course of business as the investment properties acquired by ACI are not used directly for Airport operations.

Expenditures for goods and services increased 44.1 per cent or $110.0 million to $359.4 million during 2022, when compared to 2021. The increased costs were due to the higher AIF administration costs from increased passenger volumes, higher baggage handling repairs and maintenance costs, cleaning costs, snow removal costs as a result of harsh winter weather conditions in the first quarter of 2022, higher energy, professional and consulting services costs, elevator/escalator and parking facility maintenance costs, higher security costs and $5.3 million of implementation costs related to software-as-a-solution ("SaaS") based projects (Cloud Computing Arrangements – IAS 38, Intangible Assets).

Salaries, wages and benefits increased 30.3 per cent or $46.1 million to $198.0 million during 2022, when compared to 2021. The increase in this expense was primarily due to the federal government's wage subsidy received based on 2021 through the CEWS program of $27.1 million, whereas there was no subsidy in the same period of 2022. In addition, there were new employees hired in 2022 primarily in Airport operations due to the increased passenger and flight activity at the Airport.

The impairment of investment property in 2022 of $23.0 million was based on valuations made by an independent external appraiser, using recognized valuation techniques, comprising of the discounted cash flow and direct capitalization methods. The total fair value of all commercial properties was $538.2 million as at December 31, 2022 (December 31, 2021 – $577.0 million). Based on these models, certain office buildings were determined to be impaired. As a result, the carrying values of these properties were reduced to their estimated fair values and an impairment loss of $23.0 million (December 31, 2021 – $nil) was recorded in the consolidated statements of operations and comprehensive income (loss).

Amortization of property and equipment, investment property and intangible assets increased 2.3 per cent to $340.3 million during 2022, when compared to 2021. The increase was mainly due to a change in the estimated useful life of certain airfield assets which resulted in an increase in amortization.

Interest expense and other financing costs, net of interest income, decreased 3.9 per cent to $323.0 million during 2022, when compared to 2021. The decrease was due to the absence in 2022 of the 2021 Master Trust indenture ("MTI") amendment fees reported in 2021 and the increase in interest income due to higher interest rates in 2022. The incremental interest costs from the issuance of Series 2021–1 MTNs during the fourth quarter of 2021 was partially offset by the interest savings from the early redemption of Series 2012–1 MTNs in June 2022.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the years ended December 31, 2022, 2021 and 2020.

Net Operating Results	2022	2021	Change[1]		2020
($ millions)				%	
Net Income (Loss)	**72.3**	(350.4)	422.7	120.6	(383.4)
Add: Interest and financing costs, net	**323.0**	336.2	(13.2)	(3.9)	314.4
Earnings (Loss) before interest, net	**395.3**	(14.2)	409.5	2,883.8	(69.0)
Add: Impairment of investment property	**23.0**	–	23.0	100.0	–
Amortization[2]	**340.3**	332.6	7.7	2.3	347.8
EBITDA[3]	**758.6**	318.4	440.2	138.3	278.8
EBITDA Margin	**50.8%**	38.5%		12.3pp	33.9%

1 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.
2 Amortization means amortization of property and equipment, investment property and intangible assets.
3 EBITDA is a non-GAAP financial measure.

During 2022, the GTAA generated net income of $72.3 million, an improvement in operating results of $422.7 million when compared to the net loss of $350.4 million in 2021. The improvement in operating results was mainly due to significantly higher revenues from the higher operating activity while managing operating costs during the period.

Earnings before interest and financing costs, impairment of investment property and amortization ("EBITDA") increased 138.3 per cent to $758.6 million during 2022, when compared to 2021. The EBITDA margin increased by 12.3 percentage points to 50.8 per cent during 2022, when compared to 2021. The increase in EBITDA and EBITDA margin were mainly due to the significantly higher increase in revenues, from the higher operating activity, over the increase in operating costs. EBITDA is a non-GAAP financial measure. Refer to section "**Non-GAAP Financial Measures**" of this MD&A for additional information.

Summary of Quarterly Results

Select unaudited consolidated quarterly financial information for the eight quarters ended March 31, 2021 through December 31, 2022, is set out in the following table.

	Quarter Ended							
	2022				2021			
($ millions)[4]	**Dec**	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Revenues	**403**	**422**	**384**	**283**	275	246	154	152
Operating expenses (excluding impairment of investment property and amortization)[5]	**211**	**194**	**167**	**162**	157	125	109	117
Impairment of investment property	**23**	–	–	–	–	–	–	–
Amortization[5]	**101**	**74**	**82**	**83**	81	90	82	80
Earnings (Loss) before interest and financing costs, net	**68**	**154**	**135**	**38**	37	31	(37)	(45)
Interest and financing costs, net	**77**	**80**	**83**	**83**	84	89	81	82
Net Income (Loss)	**(9)**	**74**	**52**	**(45)**	(47)	(58)	(118)	(127)

4 Rounding may result in the figures differing from the results reported in the condensed consolidated interim financial statements and consolidated financial statements.
5 Amortization means amortization of property and equipment, investment property and intangible assets.

The GTAA's quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors and given the material impact of the COVID-19 pandemic on the GTAA's business and results of operations, the historical quarterly results cannot be relied upon to determine future trends.

Capital Projects

The GTAA focuses on capital programs and projects which improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience. Due to the COVID-19 pandemic and its impact on passenger volumes, the GTAA undertook a review of its capital program and continues to monitor its capital spend in line with passenger recovery.

During 2022, the GTAA funded capital investments primarily through operating cash flows. The GTAA may access the capital markets as required to fund future capital spend.

Transport Canada announced on March 14, 2022, up to $142.0 million in new funding under the ACIP. The funding will be used to offset costs associated with GTAA's projects on the reconstruction of a runway; to develop and install new check-in service kiosks, boarding and border clearance systems; and to conduct studies and produce a development concept to connect Toronto Pearson with the proposed extension of the Eglinton Crosstown LRT. Subsequent to year-end, the GTAA received $73.1 million in funding under the ACIP. Of this balance, $47.0 million represents amounts spent on airside restoration and rehabilitation during 2022, and the balance relates to advance payments under the program.

Due to the material impacts of the COVID-19 pandemic, a significant number of projects within the capital program have been reduced, deferred or postponed. These deferred and delayed capital projects will be re-evaluated to take into account scope, pricing and sustainability factors in order to meet the needs of air travel activity and cash flow requirements.

The GTAA's most significant current and projected capital projects, progress-to-date and capital funds expended are as follows:

Airside Pavement Restoration Program – The 2020–2024 Airside Pavement Restoration Program is underway rehabilitating an estimated 1.5 million square metres of airside surfaces. The program is based on current pavement condition surveys and predictive restoration modelling. In 2022, the reconstruction of runway 06L24R and the associated taxiways was completed. From the inception of the Airside Pavement Restoration Program to December 31, 2022, the GTAA has expended $144.9 million. During 2022, the GTAA expended $89.6 million as part of restoration construction work. As this project was part of the ACIP, a receivable from Transport Canada of $47.0 million has been recorded as at December 31, 2022, representing amounts spent on airside pavement restoration and rehabilitation during 2022 that are eligible for reimbursement under this program. These amounts were received subsequent to year-end December 31, 2022.

Baggage-Handling Infrastructure Program – In 2018, the GTAA began the Baggage-Handling Infrastructure Program in both its terminals to add baggage-handling capacity, to improve system reliability and dependability, and to meet current as well as future anticipated baggage processing requirements. Phase 1 of the program commenced in the fourth quarter of 2018 and includes four design-build work packages that are intended to enhance the way the Airport's baggage processing systems operate, and to enhance the passenger experience. Three of the four work packages are complete and the primary focus in 2022 was the re-start of the fourth work package (Terminal 3 early baggage storage). From the inception of the Baggage-Handling Infrastructure Program to December 31, 2022, the GTAA has expended $197.9 million. During 2022, the GTAA expended $1.4 million.

Biosecurity-enabled Check-In and Boarding Processing – The check-in and boarding systems at Toronto Pearson constitute an integral part of the passenger journey and involve multiple touchpoints. These existing systems have reached the end-of-support-life stage and should be replaced. Additionally, current systems do not support new and critical touchless and/or low-touch processes for all passengers and, as a result, the GTAA is seeking to procure and implement a next-generation check-in solution as a replacement. From the inception of the Biosecurity-enabled Check-In and Boarding Processing project to December 31, 2022, the GTAA has expended $6.8 million. During 2022, the GTAA expended $5.5 million. A portion of the funds expended under this project will be reimbursed under the ACIP announced in 2022.

Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance – In the fall of 2019, the GTAA and CBSA undertook a comprehensive passenger-centric project called "Reimagining Arrivals" to review different approaches and technology for the CBSA border clearance processes. At that time, both organizations agreed on the critical need for a path forward to transform the arriving and connecting CBSA border clearance process in the airport environment. The process will be modernized through technology while at the same time meeting the new needs of a Healthy Airport by delivering "no-touch"/reduced-touch processing while maximizing passenger flow. From the inception of the Border Modernization project to December 31, 2022, the GTAA has expended $12.1 million. During 2022, the GTAA expended $7.9 million. A portion of the funds expended under this project will be reimbursed under the ACIP announced in 2022.

Terminal 3 Temporary Arrivals & Transfer Facility ("T-SPIL") – The T-SPIL project will allow passengers to make international to domestic ("ITD") connections in a more streamlined way. T-SPIL will create space for both CBSA and CATSA to render services to connecting passengers. At present, all Terminal 3 ITD and international to international ("ITI") passengers must exit the secure area and be re-screened by CATSA to connect. A satellite primary inspection line provides ITD and ITI passengers with an improved operational flow and passenger experience during the connections process. They will be able to connect within a secure area of the Terminal. From the inception of the T-SPIL project in 2021 to December 31, 2022, the GTAA has expended $6.8 million. During 2022, the GTAA expended $4.7 million.

Assets and Liabilities

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2022, 2021 and 2020, are set out in the following table.

	2022	2021	Change 2022–2021	2020
($ millions)				
Total assets	**6,306.0**	6,615.8	(309.8)	6,685.5
Total liabilities	**7,177.3**	7,562.4	(385.1)	7,288.2
Deficit and accumulated other comprehensive loss	**(871.3)**	(946.6)	75.3	(602.7)

At December 31, 2022, when compared to December 31, 2021, the GTAA's total assets decreased by $309.8 million primarily due to decreases of $164.4 million in cash caused primarily by the repayment of Series 2012-1 MTNs, and $140.4 million in the net book value of property and equipment. The GTAA's total liabilities decreased by $385.1 million primarily due to the repayment of $388 million Series 2012–1 MTNs in June 2022, the 1999–1 revenue bond's annual payment of $22.0 million in July 2022 and the reduction in security deposits and deferred revenue of $3.0 million, offset by an increase of $29.3 million in accounts payable and accrued liabilities. Refer to the "**Liquidity and Capital Resources**" section for further details.

The deficit and accumulated other comprehensive loss of $871.3 million as at December 31, 2022, as reported on the consolidated statements of financial position, has decreased due to the earnings in the year, which is attributable the increase in passenger and flight activities.

Restricted Funds	2022	2021	Change 2022–2021	2020
($ millions)				
Debt Service Fund	**68.7**	71.0	(2.3)	68.8
Debt Service Reserve Funds	**343.7**	351.6	(7.9)	349.0
Total MTI Restricted Funds	**412.4**	422.6	(10.2)	417.8

As shown in the table above, total restricted funds decreased from $422.6 million in 2021 to $412.4 million in 2022 due to the GTAA's early redemption of Series 2012–1 MTNs. The restricted funds which are cash-funded have been invested in short-duration investment-grade instruments.

The various Debt Service Funds represent funds for regular payments of interest and principal and amounts set aside with the Trustee under the GTAA's MTI, as security for specific debt issues. The Operating and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund are secured with letters of credit.

Liquidity and Capital Resources

The following table provides the calculation of consolidated free cash flow, net debt and key credit metrics for the GTAA for the years indicated:

	2022	2021	Change	2020
($ millions)				
Cash flows from operating activities	**786.0**	429.4	356.6	169.5
Capital expenditures[1] – property and equipment	**(217.0)**	(142.9)	(74.1)	(342.0)
Capital expenditures[1] – investment property	**(5.7)**	(1.7)	(4.0)	(13.6)
Interest paid and other financing costs, net[2]	**(327.9)**	(331.1)	3.2	(327.0)
Free Cash Flow[3]	**235.4**	(46.3)	281.7	513.1
Decrease (Increase) in restricted funds	**10.2**	(4.8)	15.0	(1.6)
(Repayments) Borrowings, net	**(410.0)**	206.1	(616.1)	587.6
Net Cash Inflow/(Outflow)	**(164.4)**	155.0	(319.4)	72.9

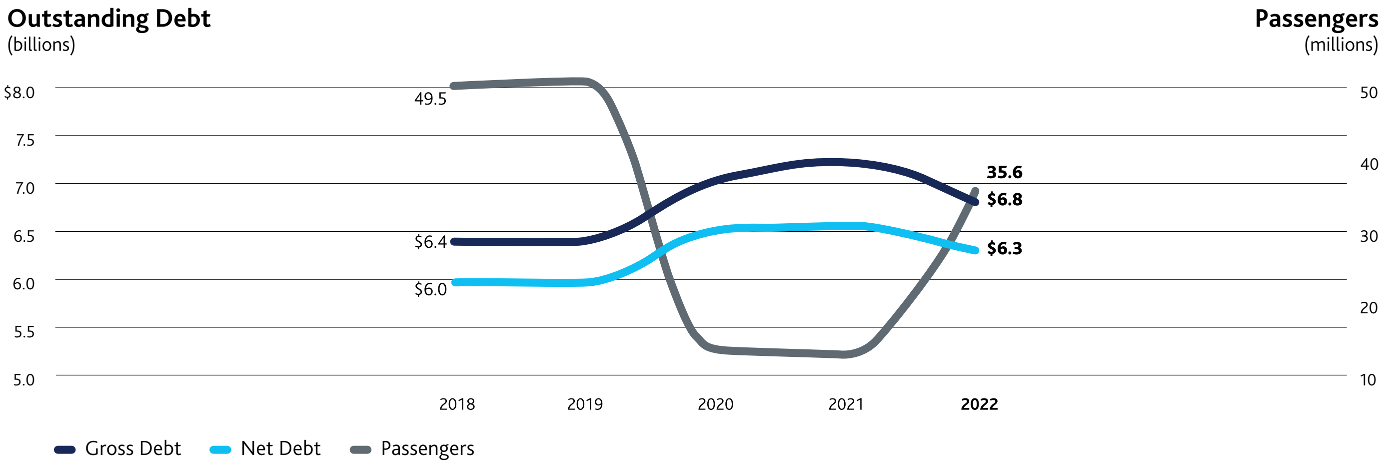
	As at December 31			
	2022	2021	Change	2020
Total Debt	**6,802.4**	7,213.7	(411.3)	7,002.8
Cash	**(93.8)**	(258.2)	164.4	103.2
Restricted funds	**(412.4)**	(422.6)	10.2	417.8
Net Debt[4]	**6,296.2**	6,532.9	(236.7)	6,481.8
Key Credit Metrics ($)				
Total Debt/Enplaned Passenger[5]	**382**	1,136	(66.4)%	1,052
Net Debt[4]/Enplaned Passenger[5]	**353**	1,029	(65.7)%	974

1 Capital expenditures — property and equipment are acquisition and construction of property and equipment and intangible assets; Capital expenditures — investment property are acquisitions and construction of investment property. Both are per the Consolidated Statements of Cash Flows in the Consolidated Financial Statements as at December 31, 2022.
2 Interest and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, and it is a non-GAAP financial measure. Refer to section "**Non-GAAP Financial Measures**".
3 Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows less interest and financing costs paid, net of interest income, less capital expenditures (property and equipment, and investment property). Refer to section "**Non-GAAP Financial Measures**".
4 Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "**Non-GAAP Financial Measures**".
5 For credit metric purposes, enplaned passengers are defined as equal to half of total passengers and is based on the prior 12 months activity.

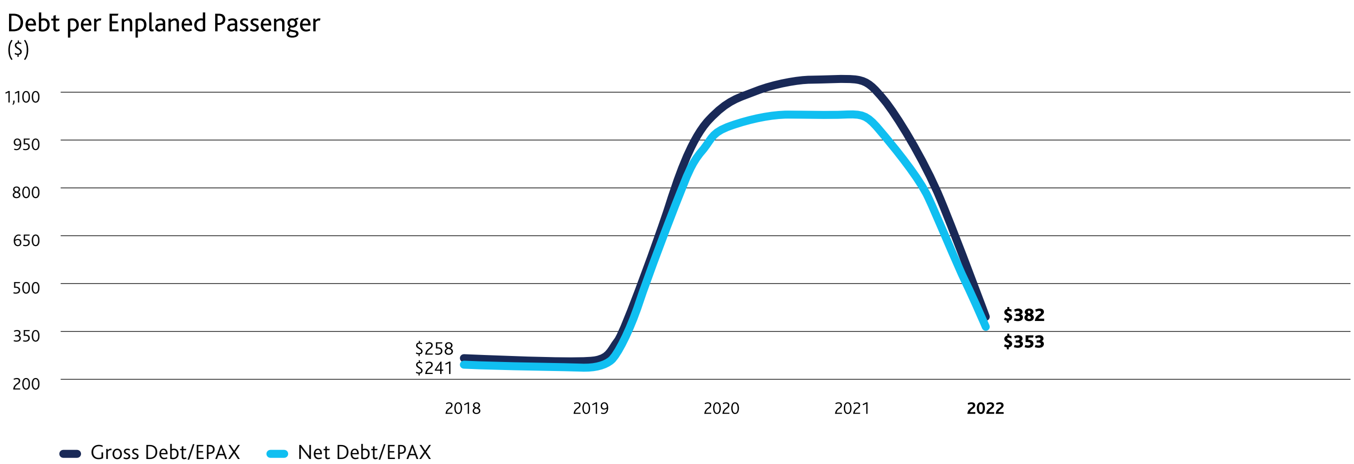
Cash flows from operations during 2022 increased $356.6 million to $786.0 million, when compared to 2021, primarily due to the significant increase in revenues over the increase in costs. Free cash flow during 2022 increased $281.7 million to $235.4 million, when compared to 2021, primarily driven by the significant increase in cash flows from operations due to the reasons mentioned above. Free cash flow is a non-GAAP financial measure. Refer to section "**Non-GAAP Financial Measures**" for additional information. Net cash flow during 2022 decreased $319.4 million to a net cash outflow of $164.4 million, when compared to 2021, due to the repayment of the $388 million Series 2012–1 MTNs and the $22 million annual principal repayment of Series 1999–1 revenue bonds partially offset by the increase in free cash flow.

Gross Debt decreased by $411.3 million to $6.8 billion as at December 31, 2022 when compared to December 31, 2021 due to the repayment of series 2012–1 MTNs. Net Debt decreased by $236.7 million to $6.3 billion as at December 31, 2022 when compared to December 31, 2021 due to a decrease in gross debt offset by a decrease in cash. Net Debt is a non-GAAP financial measure. Refer to section "**Non-GAAP Financial Measures**" of this MD&A for additional information.

The following chart tracks the GTAA's increase of gross debt over the last five years from $6.4 billion in 2018 to $6.8 billion in 2022 and an increase in net debt from $6.0 billion in 2018 to $6.3 billion in 2022, primarily due to the impacts of the COVID-19 pandemic.



Based on the prior 12 months passenger activity, the GTAA's total debt per enplaned passenger, one of the airport industry's key ratings or financial metrics, declined from $1,136 as at December 31, 2021 to $382 as at December 31, 2022 due to a reduction in gross debt and significantly higher passenger volumes; and net debt per enplaned passenger declined from $1,029 as at December 31, 2021 to $353 as at December 31, 2022 due to the same reasons. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "**Non-GAAP Financial Measures**" for additional information.



An overall Capital Markets Platform has been established by the GTAA with the MTI setting out the security and other common terms and conditions of all debt, including bank facilities, revenue bonds and MTNs. The Platform has been used to fund certain capital programs, and the GTAA expects to continue to access the capital markets to fund capital programs and to refinance maturing debt as and when needed.

The objective of the GTAA's investment and cash management strategy is to ensure adequate liquidity so that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The GTAA has taken steps to ensure adequate liquidity, which include extending the commitments available under its revolving credit facility to 2025 to provide additional flexibility, and reducing and/or deferring operational and capital expenditures. The GTAA's net liquidity position (including cash) as at December 31, 2022 was approximately $1.5 billion. The GTAA has a current internal financial risk policy that includes a statement that the GTAA will always maintain a minimum available liquidity of at least $200.0 million. During the MTI covenant exemption period, the GTAA will, within five days of the end of each quarter, publish on the GTAA's website if such available liquidity at the end of a quarter is below $200.0 million. At no time during 2022 was the GTAA's available liquidity under such limit. The GTAA monitors its cash flow requirements and conducts consistent analysis of trends and expected fluctuations in the Company's liquidity and capital resources. Given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

The GTAA's long-term debt obligations as issued under its MTI have been assigned credit ratings by Standard & Poor's Rating Service ("S&P") and Moody's Investors Service, Inc. ("Moody's") of "A+" with a stable outlook and "Aa3" with a stable outlook, respectively. The GTAA's CP obligations have been assigned a credit rating of "R-1 (low)" and an issuer rating of "A (high)" by DBRS. On August 12, 2022, DBRS confirmed GTAA's issuer rating at A (high) and CP rating at R-1 (low) with stable trends. On December 15, 2022, S&P affirmed GTAA's credit rating at A+ with stable outlook.

Ratings are intended to provide investors with an independent assessment of the credit quality of the GTAA's debt. These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating. These ratings may change as the rating agencies continue to review the ongoing impact of the COVID-19 pandemic on the Company. Refer to the "**Risk Factors**" section of this MD&A. The GTAA's Annual Information Form for the year ended December 31, 2022 contains more detailed information about the GTAA's current credit ratings.

On May 21, 2022, the GTAA exercised its right to redeem all $388.0 million of the outstanding Series 2012–1 MTNs at par on June 21, 2022 (the "redemption date"). The Series 2012–1 MTNs had an original maturity date of September 21, 2022. To refinance the redemption of the Series 2012–1 MTNs, the GTAA issued on June 21, 2022 $79.9 million of CP and the balance was repaid with cash-on-hand. The outstanding CP was fully repaid by August 10, 2022.

As at December 31, 2022, the GTAA had borrowing capacity available under its Operating Credit Facility of $1.4 billion (net of no outstanding CP backstopped by this facility), available capacity under its Letter of Credit Facility of $36.9 million and unrestricted cash of $93.8 million, for an aggregate of $1.5 billion in total available liquidity. The unrestricted cash was invested in short-term highly liquid investment instruments in line with the GTAA's Investment Policy and the MTI.

Liquidity and Credit Facilities ($ millions)					**December 31, 2022**	December 31, 2021
Source	Currency	**Expiry**	Size	Drawn/ CP Backstop/ Issued	**Available**	Available
Cash and cash equivalents	CAD				**93.8**	258.2
Credit facilities:						
1) Operating Credit Facility[1, 2]	CAD	May 31, 2025	1,400.0	–	**1,400.0**	1,400.0
Commercial paper backstop[2]				–	**–**	–
Available for general use					**1,400.0**	1,400.0
2) Letter of Credit Facility	CAD	May 31, 2025	150.0	113.1	**36.9**	67.7
			1,550.0	113.1	**1,436.9**	1,467.7
Total net liquidity (including cash)					**1,530.7**	1,725.9
3) Hedge Facility[3]	CAD	Per contract	150.0	–	**150.0**	150.0
Total credit facilities and cash			1,700.0	113.1	**1,680.7**	1,875.9

1 The Operating Credit Facility is a committed bank facility which is revolving in nature.
2 At December 31, 2022, there was no outstanding CP to backstop.
3 The Hedge Facility is a non-cash facility and allows the Corporation to enter into derivative transactions. Any amounts reported represent 'mark-to-market' losses on outstanding contracts.

The GTAA maintains the credit facilities set out in the above table. These facilities rank *pari passu* with outstanding debt under the MTI by way of a pledged bond issued to the banking syndicate. Due to the impact from COVID-19, the credit facility syndicate approved in July 2021 both the exemption from complying with the MTI Rate Covenant for fiscal year 2022, and an amendment on the limitation on guarantees and investments.

The $1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility. As at December 31, 2022, no CP was outstanding, no amounts were drawn from the Operating Credit Facility, $113.1 million of the $150.0 million Letter of Credit Facility was utilized, and there were no outstanding contracts under the $150.0 million hedge facility.

As at December 31, 2022, the GTAA had a working capital deficiency of $47.8 million, computed by subtracting current liabilities from current assets. This was primarily due to the interest payable on long-term debt. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. Given the GTAA's total available liquidity of $1.5 billion, Management believes that the available credit under the Operating Credit Facility, its cash flows from operations, cash-on-hand and the GTAA's ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities as they come due.

The following table analyzes the GTAA's short- and long-term contractual obligations in nominal dollars as at December 31, 2022 by relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the aggregate contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. The debt obligations include both principal and interest cash flows.

		Payments Due by Period			
Contractual Obligations ($ millions)	Total	Less than 1 year	1 year to 3 years	4 years to 5 years	Thereafter
Accounts payable and accrued liabilities	216.8	216.8	–	–	–
Purchase obligations[1]	923.3	320.7	307.7	88.5	206.4
Long-term debt principal	6,776.0	23.4	51.5	379.9	6,321.2
Interest payable on long-term debt	3,963.6	322.6	640.5	633.6	2,366.9
	11,879.7	**883.5**	**999.7**	**1,102.0**	**8,894.5**

1 Purchase obligations include commitments for goods and services contracts as at December 31, 2022 the GTAA entered into that are required to operate the Corporation in the ordinary course of business over the next few years. It also includes capital and property commitments of approximately $186.2 million.

Accounts payable, accrued liabilities and purchase obligations are expected to be funded through operational cash flows and short-term borrowings, while CP and long-term debt obligations and related interest payable are expected to be funded primarily through a combination of borrowings from accessing the capital markets and cash flows generated from operations.

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2022 of approximately $186.2 million, as compared to $119.7 million at December 31, 2021. In the short term, the GTAA expects to fund these commitments primarily through cash-on-hand and operating cash flows.

A measure of the GTAA's ability to service its indebtedness is its ability to comply with certain covenants in the MTI. The MTI contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant) such that: (i) Revenues in each Fiscal Year are sufficient to make all required debt service payments and deposits in funds and reserve funds, and all other payments required to be made by the GTAA in the ordinary course of its consolidated business; and (ii) Net Revenues, together with any Transfer from the General Fund in each Fiscal Year, equal to at least 125 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the MTI). Both financial tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets.

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, on July 21, 2021, the GTAA completed an amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022. The exemption was sought and provided due to the negative impacts of COVID-19, the unknown duration of the material declines in passenger and flight activity, the risks to achieving covenant compliance and the consequential risks. For the fiscal year ended 2022, the GTAA's operating covenant ratio measured at 140 per cent compared to the minimum requirement of 100 per cent, and the debt service covenant ratio measured at 136 per cent compared to the minimum requirement of 125 per cent.

Non-GAAP Financial Measures

Throughout this MD&A, there are references to the following performance measures which in Management's view are valuable in assessing the economic performance of the GTAA. While these financial measures are not defined by the International Accounting Standards Board ("IFRS"), and they are referred to as non-GAAP measures which may not have any standardized meaning, they are common benchmarks in the industry, and are used by the GTAA in assessing its operating results, including operating profitability, cash flow and investment program.

EBITDA and EBITDA Margin

EBITDA is operating earnings before interest and financing costs, impairment of investment property and amortization. EBITDA margin is EBITDA divided by revenues. EBITDA is a commonly used measure of a company's operating performance. This is used to evaluate the GTAA's performance without having to factor in financing and accounting decisions.

Free Cash Flow

Free Cash Flow ("FCF") is cash flow from operating activities per the consolidated statements of cash flows less capital expenditures (property and equipment, and investment property) and interest and financing costs paid, net of interest income (excluding non-cash items). FCF is used to assess funds available for debt reduction or future investments within Toronto Pearson.

Net Debt

Net Debt is defined as gross debt less cash and restricted funds.

Net Debt per Enplaned Passenger

Net Debt per Enplaned Passenger is defined as net debt over total enplaned passengers ("EPAX"). For credit metric purposes, EPAX is defined as equal to half of total passengers and is based on the prior 12-months' activity. EPAX is widely used in the aviation industry and represents a passenger boarding a plane at a particular airport. Net debt per EPAX is commonly used by airports and other users to assess an appropriate debt burden for an airport.

Net Liquidity

Net liquidity is defined as the total of the borrowing capacity available for general corporate purposes under its Operating Credit Facility, capacity available under its Letter of Credit Facility and unrestricted cash. Net liquidity is important for demonstrating how easily the GTAA can pay off its short-term liabilities and debts and how long it can cover its total costs.

Significant Accounting Policies and Estimates

The significant accounting policies of the GTAA and changes thereto are set out in Notes 2 and 3, respectively, of the Consolidated Financial Statements as at December 31, 2022 and 2021. These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, MGI and ACI. All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

The GTAA has adopted the following amendments effective January 1, 2022. These changes were made in accordance with the applicable transitional provisions.

a) Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets:

This standard was amended to clarify: (i) the meaning of "costs to fulfill a contract", and (ii) that, before a separate provision for an "onerous contract" is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments did not have a material impact on the consolidated financial statements.

b) Amendments to IAS 16, Property, Plant and Equipment:

This standard was amended to: (i) prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These amendments did not have a material impact on the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

a) Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors:

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. In addition, IAS 1 was amended requiring entities to disclose material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. These amendments are not expected to have a material impact on the consolidated financial statements.

b) Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current:

This amendment states that an entity shall classify a liability as current when it does not have the right at the end of the reporting period to defer settlement of liability for at least 12 months after the reporting period. The entity is required to disclose information about the timing of settlement to enable users of the financial statements to understand the impact of the liability on the entity's financial position. The amendment is effective for annual periods beginning on or after January 1, 2024. The GTAA continues to assess the impact on the consolidated financial statements.

Related Party Transactions

As a corporation without share capital, the GTAA has Members rather than shareholders. The Members of the GTAA are also its directors. The GTAA is governed by a 15-member Board of Directors. Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto. Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario. Currently, there are two vacancies caused by the deaths of Deepak Ruparell in August, 2022, and Hazel McCallion in February, 2023.

The Government of Canada and its respective government-related entities are considered related parties for accounting purposes only due to their ability to nominate Members, and due to the material nature of the Ground Lease. In accordance with IFRS, this meets the definition of significant influence, but not control. The GTAA has applied the exemption for government-related entities to disclose only significant transactions. These transactions are reflected in the consolidated financial statements as at December 31, 2022 and 2021 under Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority and Transport Canada, and Note 12, Leases, for amounts due under the Ground Lease.

The GTAA's related parties also include Key Management personnel. Key Management includes the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Operating Officer ("COO") and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. As at December 31, 2022, the GTAA had normal course transactions with Key Management personnel in the ordinary course of their employment with the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of Management under applicable securities policies. In this respect, the GTAA only had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as an independent Director.

Internal Controls and Procedures

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its CEO, its CFO and its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by Management, under the supervision of and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

The Corporation has filed certifications as required by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, signed by the Corporation's CEO and CFO, that report on the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

The Corporation's Audit Committee reviewed this MD&A and the consolidated financial statements, and approved these documents prior to their release.

Management's Report on Disclosure Controls and Procedures

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at December 31, 2022, that such disclosure controls and procedures were effective.

Management's Report on Internal Controls over Financial Reporting

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework (2013). Based on that evaluation, Management and the CEO and CFO have concluded that, as at December 31, 2022, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Committee.

No changes were made in internal controls over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting. Management will continue to monitor the effectiveness of its internal controls over financial reporting and disclosure controls and procedures and may make modifications from time to time as considered necessary or desirable.

Risk Factors

The GTAA, its operations and its financial results are subject to certain risks. The GTAA's Board of Directors is accountable for the oversight of the key enterprise risks of the GTAA's business and is responsible for determining that Management has effective policies and procedures to identify, assess and manage such risks.

The GTAA has established an Enterprise Risk Management ("ERM") program that provides a disciplined approach for identifying, assessing, treating and managing risks, and the integration of risk considerations into strategy and opportunity. This enterprise-wide approach enables business and external risks to be managed and aligned with the GTAA's strategic priorities and goals. Specific risks are monitored by each of the four board committees and the board monitors significant strategic risks quarterly.

Please see the Corporation's most recent Annual Information Form available on **www.sedar.com** for a discussion of risk factors that could materially affect the GTAA's business, operating results, and financial condition. The risk factors described in the Annual Information Form are not the only risks and uncertainties that the Corporation faces. Additional risks and uncertainties not presently known to the GTAA or that the GTAA considers immaterial may also materially and adversely affect its business operations.

Caution Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements or forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate", "project", and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking information.

Specific forward-looking information in this document includes, among others, statements regarding the following: the expected impact of the COVID-19 pandemic including on the long-term financial sustainability of the Airport; expected domestic and international passenger traffic and cargo; expected return to pre-COVID-19 passenger and flight levels; investment in the Airport including with respect to capital projects and physical infrastructure; future Airport demand or activity; the GTAA's borrowing requirements and its ability to access the capital markets; the GTAA's ability to comply with covenants; debt levels and service costs; revenues, cash flows, working capital and liquidity and no funding shortfalls; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; budgets and expenditures relating to capital programs and the funding of such programs; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport; the use of certain restricted reserve funds; and the funding of outstanding capital commitments.

There is inherently more uncertainty associated with the material factors and assumptions underlying the forward-looking information contained in this document compared to prior periods due to the COVID-19 pandemic. Travel demand is volatile, including due to changing government restrictions in Canada and around the world and the course of the COVID-19 virus and the emergence and spread of variants. If the course of the COVID-19 virus changes prompting governments to reimpose restrictions, these restrictions and passengers' concerns about travel due to the COVID-19 pandemic, will severely inhibit demand for air travel. The COVID-19 pandemic is also having significant impacts, including on business and consumer spending which may impact demand for travel. The GTAA cannot predict the full impact or the timing for when COVID-19 pandemic conditions may change.

Other material factors and assumptions include: government and passenger actions; the post-COVID-19 pandemic economic recovery; the impact of costs associated with new processes, technology solutions and facility enhancements in response to the COVID-19 pandemic; the GTA's population base and diversified economy will provide the basis for strong aviation demand in the future; air carrier capacity will meet future demand for air travel in the Greater Toronto Area; the Greater Toronto Area will continue to attract domestic and international travellers; no other significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; the GTAA will be able to access the capital markets at competitive terms and rates; and no significant cost overruns relating to capital projects will occur. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

There is significant risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information. Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, but are not limited to: risks related to the COVID-19 pandemic or other public health emergencies on the GTAA's business; air carrier instability; passenger volumes; inability to meet business objectives; non-payment by customers and the GTAA's ability to comply with covenants under its MTI and credit facilities post-2022; continuing volatility in current and future economic activity including shocks to the macroeconomic environment (changes in fuel prices, inflation, currencies, employment and spending); capital market conditions and credit rating risk; competition from other airports; wars, riots or political action; labour disruptions; disruptions caused by extreme weather, natural disasters or other events which impact air industry networks; geopolitical unrest; acts of terrorism or cyber-security threats; disruptions to information technology infrastructure; the loss of key personnel; changes in laws or regulations including rate regulation; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; loss of commercial revenues; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental factors and climate change; changing attitudes towards air travel; the availability of aviation liability and other insurance; the timing of recovery and receipt of insurance proceeds; construction risk; legal proceedings and litigation; and other risks detailed from time to time in the GTAA's publicly filed disclosure documents and, in particular, those identified in the Annual Information Form available at **www.sedar.com**.

The forward-looking information contained in this document represents expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information or future events or for any other reason.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Greater Toronto Airports Authority have been prepared by management and approved by the Board of Directors and the Members of the Greater Toronto Airports Authority. Management is responsible for the preparation and presentation of the information contained in these financial statements and other sections of this Annual Report. The Greater Toronto Airports Authority maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Greater Toronto Airports Authority's independent auditor, PricewaterhouseCoopers LLP, have been appointed by the Members of the Corporation to express their professional opinion on the fairness of these financial statements.

The Board of Directors ensures that management fulfills their responsibilities for financial reporting and internal controls through an Audit Committee, which is composed of eight directors. This Committee reviews the financial statements and reports to the Board of Directors. The auditor has full and direct access to the Audit Committee.

Deborah Flint
President and Chief Executive Officer

J'Maine Chubb
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Greater Toronto Airports Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Greater Toronto Airports Authority and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of operations and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in deficit and accumulated other comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditor's responsibilities for the audit of the consolidated financial statements*** section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 23, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 (in thousands of Canadian dollars)	**2022**	2021
	$	$
Assets		
Current assets		
Cash and cash equivalents	**93,804**	258,194
Restricted funds (Note 6)	**68,724**	83,223
Accounts receivable (Note 7)	**92,975**	99,202
Airport Critical Infrastructure Program receivable (Note 7)	**47,000**	–
Inventory	**15,196**	14,334
Prepaids	**5,642**	5,904
	323,341	460,857
Non-current assets		
Restricted funds (Note 6)	**343,653**	339,424
Intangibles and other assets (Note 8)	**147,304**	153,553
Property and equipment (Note 9)	**4,986,386**	5,126,776
Investment property (Note 10)	**439,598**	469,475
Post-employment benefit asset (Note 13)	**65,686**	65,734
	6,305,968	6,615,819
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 18)	**216,760**	187,427
Security deposits and deferred revenue	**69,239**	72,248
Long-term debt (Note 11)	**85,128**	478,896
	371,127	738,571
Non-current liabilities		
Deferred credit (Note 8)	**6,790**	8,992
Post-employment benefit liabilities (Note 13)	**10,674**	10,163
Long-term debt (Note 11)	**6,717,232**	6,734,771
Deferred ground rent payable (Note 12)	**65,103**	63,507
Other liabilities	**6,390**	6,390
	7,177,316	7,562,394
Deficit and Accumulated Other Comprehensive Loss	**(871,348)**	(946,575)
	6,305,968	6,615,819

Commitments and contingent liabilities (Note 15)

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

Signed on Behalf of the Board

Signed on Behalf of the Board

Johan van 't Hof

Doug Allingham
Director

Johan C. van 't Hof
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31 (in thousands of Canadian dollars)	**2022**	2021
	$	$
Revenues (Note 17)		
Landing fees	**367,403**	247,491
General terminal charges	**205,146**	126,632
Airport improvement fees	**412,973**	147,312
Car parking and ground transportation	**175,385**	70,228
Concessions	**117,851**	68,316
Rentals	**151,474**	124,804
Other	**61,633**	42,005
	1,491,865	826,788
Operating Expenses		
Ground rent (Notes 1 and 12)	**163,731**	64,779
Goods and services (Note 19)	**359,396**	249,408
Salary, wages and benefits	**197,962**	151,932
Payments-in-lieu of real property taxes	**12,208**	42,317
Impairment of investment property (Note 10)	**23,000**	–
Amortization of property and equipment (Note 9)	**310,474**	303,138
Amortization of intangibles (Note 8)	**17,350**	15,631
Amortization of investment property (Note 10)	**12,541**	13,827
	1,096,662	841,032
Earnings (Loss) before interest and financing costs, net	**395,203**	(14,244)
Interest income	**10,770**	4,847
Interest expense on debt instruments and other financing costs	**(333,720)**	(340,994)
Interest and financing costs, net (Note 11)	**(322,950)**	(336,147)
Net Income (Loss)	**72,253**	(350,391)
Items that will be reclassified subsequently to Net Income (Loss):		
Amortization of terminated hedges and interest rate swap	**1,291**	1,394
Items that will not be reclassified subsequently to Net Income (Loss):		
Pension and non-pension remeasurements, net (Note 13)	**1,683**	5,159
Other Comprehensive Income	**2,974**	6,553
Total Comprehensive Income (Loss)	**75,227**	(343,838)

Related party transactions (Note 14)

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

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Year Ended December 31, 2022 (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
	$	**$**	**$**
Balance, January 1, 2022	**(929,073)**	**(17,502)**	**(946,575)**
Net Income	**72,253**	**–**	**72,253**
Amortization of terminated hedges and interest rate swap	**–**	**1,291**	**1,291**
Pension and non-pension remeasurements, net	**1,683**	**–**	**1,683**
Total Comprehensive Income for the year	**73,936**	**1,291**	**75,227**
Balance, December 31, 2022	**(855,137)**	**(16,211)**	**(871,348)**

Year Ended December 31, 2021 (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Loss	Total
	$	$	$
Balance, January 1, 2021	(583,841)	(18,896)	(602,737)
Net Loss	(350,391)	—	(350,391)
Amortization of terminated hedges and interest rate swap	—	1,394	1,394
Pension and non-pension remeasurements, net	5,159	—	5,159
Total Comprehensive (Loss) Income for the year	(345,232)	1,394	(343,838)
Balance, December 31, 2021	(929,073)	(17,502)	(946,575)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (in thousands of Canadian dollars)	2022	2021
Cash Flows from (used in) Operating Activities	**$**	$
Net Income (Loss)	**72,253**	(350,391)
Adjustments for:		
Amortization of property and equipment	**310,474**	303,138
Amortization of intangibles and other assets	**22,446**	20,727
Amortization of investment property	**12,541**	13,827
Impairment of investment property	**23,000**	–
Net gain on disposal of property and equipment and intangible assets	**–**	147
Post-employment benefit plans	**2,242**	1,624
Interest and financing costs, net	**322,950**	336,147
Ground rent receivable	**–**	28,848
Amortization of deferred credit	**(2,202)**	(2,202)
Deferred ground rent payable	**1,596**	63,507
Changes in working capital and other:		
Accounts receivable	**6,227**	(6,071)
Prepaids	**262**	540
Inventory	**(862)**	137
Accounts payable and accrued liabilities	**18,030**	11,450
Security deposits and deferred revenue	**(3,009)**	9,642
Other liabilities	**–**	(1,700)
	785,948	429,370
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	**(217,006)**	(142,851)
Acquisition and construction of investment property	**(5,664)**	(1,696)
Proceeds on disposal of property and equipment	**–**	72
Decrease (Increase) in restricted funds	**10,270**	(4,814)
	(212,400)	(149,289)
Cash Flows from (used in) Financing Activities		
Issuance of medium-term notes, net of issuance costs	**–**	396,605
Repayment of medium-term notes and long-term debt	**(410,024)**	(20,690)
Commercial paper, net	**–**	(169,904)
Interest paid and other financing costs, net	**(327,914)**	(331,071)
	(737,938)	(125,060)
Net Cash (Outflow) Inflow	**(164,390)**	155,021
Cash and cash equivalents, beginning of year	**258,194**	103,173
Cash and cash equivalents, end of year	**93,804**	258,194

As at December 31, 2022, cash and cash equivalents consisted of cash of $52.3 million (December 31, 2021 – $87.2 million) and cash equivalents of $41.5 million (December 31, 2021 – $171.0 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021
(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

1. General Information

The Greater Toronto Airports Authority ("GTAA") is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*.

The GTAA is authorized to develop, manage and operate airports within the south-central Ontario region, including the Greater Toronto Area, on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto – Lester B. Pearson International Airport (the "Airport") under a ground lease with the federal government, which was executed in December 1996 (the "Ground Lease").

The GTAA's registered office and principal place of business is located at 3111 Convair Drive, Mississauga, Ontario, Canada.

Airport Subject to Ground Lease

The Ground Lease is the principal document governing the relationship between the GTAA and Transport Canada at the Airport. It determines the rent to be paid and generally allocates risks and responsibilities between the GTAA and the federal government for all matters related to the operation of the Airport. Under the Ground Lease, all revenue and expenditure contracts in effect on December 1, 1996 were assigned to the GTAA. The GTAA did not assume any liability with respect to claims against the federal government incurred prior to December 2, 1996.

By virtue of its status as the tenant under the Ground Lease, the GTAA has the authority to set and collect airline rates and charges; negotiate and issue leases, licences and permits; and construct and develop the infrastructure of the Airport. The Ground Lease permits the GTAA to pledge its leasehold interest in the Airport as security.

The Ground Lease sets out that if the GTAA were to purchase or enter into an agreement to purchase any land adjacent to or in the vicinity of the Airport for the purposes of managing, operating or maintaining the Airport, the GTAA shall transfer title of such land to the Landlord and that such land shall become part of the Ground Lease.

Properties owned by the GTAA's wholly-owned subsidiaries are not used for the purposes of managing, operating or maintaining the Airport and therefore do not form part of the Ground Lease.

Ground rent is calculated as a percentage of Airport Revenue, as defined by the Ground Lease and related documents, using escalating percentages with the following ranges: 0 per cent for Airport Revenue below $5.0 million, 1 per cent for Airport Revenue between $5.0 million and $10.0 million, 5 per cent for Airport Revenue between $10.0 million and $25.0 million, 8 per cent for Airport Revenue between $25.0 million and $100.0 million, 10 per cent for Airport Revenue between $100.0 million and $250.0 million, and 12 per cent for Airport Revenue in excess of $250.0 million. The calculation of Airport Revenue is subject to audit by Transport Canada. See Note 12, Leases, for additional information.

The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years at the option of the GTAA.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IFRS"). These consolidated financial statements were approved by the Board of Directors on March 23, 2023.

In applying the GTAA's accounting policies, as described in Note 3, Significant Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Accounting 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5, Critical Accounting Judgements and Key Source of Estimation Uncertainty.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of Measurement

The consolidated financial statements have been prepared on a going-concern basis under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities which are measured at fair value.

Principles of Consolidation

These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, Malton Gateway Inc. and Airway Centre Inc. Malton Gateway Inc. was incorporated in 2017 and holds the shares of Airway Centre Inc. Airway Centre Inc. was also incorporated in 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation and maintenance of the Airport.

All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

Segment Reporting

The GTAA consists of two operating segments: the first is for managing, operating and maintaining the Airport, and the second is to manage the commercial properties. If the quantitative thresholds, as set out in IFRS 8, Operating Segments, are met, additional segmented disclosures may be required.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the GTAA's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the GTAA's functional currency are recognized in the consolidated statements of operations and comprehensive income (loss).

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held with banks and other short-term, liquid investments with remaining terms to maturity of three months or less.

Inventory

Inventory consists of parts and supplies held for use at the Airport and natural gas. Inventory is stated at the lower of cost and net realizable value. Cost of natural gas is determined using the first-in, first-out method. Cost of parts and supplies is determined using the weighted-average cost method. Net realizable value is determined as being the estimated replacement cost.

Financial Instruments

Financial assets and liabilities are recognized when the GTAA becomes a party to the contractual provisions of the instrument on the trade date. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the GTAA has transferred substantially all risks and rewards of ownership.

At initial recognition, the GTAA classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

(i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:

- (a) the financial asset is held in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Fair value through other comprehensive income: A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held to collect contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

(iii) Fair value through profit or loss ("FVPL"): A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

(iv) Financial liabilities: Financial liabilities at amortized cost include accounts payable and accrued liabilities, security deposits and long-term debt. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost using the effective interest method. Long-term debt, however, is recognized initially at fair value, net of any transaction costs incurred and discounts/premiums, and subsequently recorded at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities in the consolidated statements of financial position.

At initial recognition, the GTAA measures a financial asset at its fair value. In the case of a financial asset not at FVPL, the GTAA measures the financial asset as fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of the financial assets carried at FVPL are expensed in profit and loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest. Subsequent measurement of financial instruments depends on the GTAA's business model for managing the asset and the cash flow characteristics of the asset.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

As at December 31, 2022, the GTAA had no derivative instruments outstanding that have been designated as a hedge. However, certain gains and losses relating to settled hedging instruments are being amortized to the consolidated statements of operations and comprehensive income (loss) over the term to maturity of the previously hedged item (see Note 16, Financial Instruments).

Impairment of Financial Assets

The GTAA recognizes an allowance for expected credit losses for all financial assets not held at FVPL. For amounts receivable, the GTAA applies the simplified approach permitted by IFRS 9, Financial Instruments ("IFRS 9"), which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected credit losses, the GTAA has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the customer and the economic environment. The GTAA considers a financial asset in default when contractual payment is over 90 days past due. However, in certain cases, the GTAA may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

Impairment of Long-lived Assets

Property and equipment, intangibles and other assets, and investment property are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The GTAA evaluates impairment by examining long-lived assets for impairment indicators and examines any prior period impairment losses for potential reversals when events or circumstances warrant such consideration.

Leases

GTAA as a Lessee

The GTAA assesses whether a contract is or contains a lease at the inception of a contract. The GTAA recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, excluding the Ground Lease with Transport Canada. The lease liability is initially measured at the present value of the lease payments (including in-substance fixed payments) that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the GTAA uses its incremental borrowing rate which is the rate that the GTAA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset.

Variable rents that do not depend on an index or rate such as the Ground Lease payments are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as ground rent in the consolidated statements of operations and comprehensive income (loss) (see Note 12, Leases).

Lease payments relating to short-term leases or leases of low-value assets are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

GTAA as a Lessor

Lease income from operating leases where the GTAA is the lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statements of financial position based on their nature.

In arrangements where the GTAA sub-leases an asset to a third party, the GTAA classifies the sub-lease as a finance lease if it transfers a significant portion of the risks and rewards of ownership of the right-of-use asset to the lessee. For finance sub-leases, the GTAA derecognizes the right-of-use asset relating to the head lease and recognizes a receivable at an amount equal to the net investment in the sub-lease. The GTAA does not have any finance leases as a lessor.

From time to time, the GTAA may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, the GTAA applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16, Leases, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

Intangibles and Other Assets

As required under the terms of the Ground Lease, in certain instances, the title of land acquired is transferred to the federal government, while the GTAA retains use of the land. The purchase price for acquired land is recorded as land acquisition costs in the consolidated statements of financial position and amortized on a straight-line basis over the remaining term of the Ground Lease in ground rent expense in the consolidated statements of operations and comprehensive income (loss).

Computer software costs are capitalized and amortized on a straight-line basis in amortization of intangible assets in the consolidated statements of operations and comprehensive income (loss) over the period of their expected useful lives, which range from three to 10 years.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and borrowing costs.

These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease. No amounts are amortized longer than the lease term plus one renewal option.

Property and equipment are amortized at the following annual rates:

Buildings and structures ("Terminal and Airside assets")	Straight-line over two to 60 years
Bridges and approach systems ("Terminal and Airside assets")	Straight-line over two to 40 years
Baggage handling systems	Straight-line over 15 to 25 years
Improvements to leased land	Straight-line over the remaining term of the Ground Lease
Runways and taxiways ("Terminal and Airside assets")	Straight-line over 10 to 40 years
Airport operating assets	Straight-line over two to 40 years

The GTAA allocates the amount initially recognized with respect to an item of property and equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of goods and services expense in the consolidated statements of operations and comprehensive income (loss).

Assets under construction are transferred to property and equipment when the asset is available for use, and amortization commences at that time.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in interest and financing costs in the consolidated statements of operations and comprehensive income (loss) in the period in which they are incurred.

Investment Property

Investment property is property held for capital appreciation and/or to earn rental income. Property is stated at historical cost less accumulated amortization and any recognized impairment loss, with the exception of land, which is recorded at cost less any accumulated impairment loss.

Amortization on investment property assets is calculated using the straight-line method to allocate an asset's cost over its estimated useful life. Amortization rates for each significant component range from three to 50 years.

The fair value of all investment property is estimated annually. In the year of acquisition, it is assumed that the cost approximates fair value.

Investment property is derecognized either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statements of operations and comprehensive income (loss) in the period of derecognition. Transfers are made to or from the investment property category only when there is a change in use.

Payments-in-lieu of Real Property Taxes

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year and is subject to a maximum annual increase under the *Assessment Act*. Effective fiscal 2022, an amendment to the regulation was executed where the maximum annual increase under the regulation is temporarily suspended until passenger volumes return to pre-pandemic levels.

Tenants of the GTAA and properties held by Airway Centre Inc. are not subject to PILT, and Airway Centre Inc. and its tenants pay municipal real property taxes in the ordinary course.

Revenue Recognition

The GTAA recognizes revenue when it transfers control over a product or service to a customer and revenue is measured at the transaction price agreed under the contract. The GTAA does not currently have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

Landing fees and general terminal charges, net of adjustments, and car parking revenues are recognized as Airport facilities are utilized. Airport Improvement Fees ("AIF") are recognized upon the enplanement of the passenger. AIF revenue is based on airlines' self-assessment of their passenger counts. An annual reconciliation is performed by the GTAA with air carriers. Concessions revenue and car rental revenue is earned on a monthly basis and is recognized based on a percentage of sales or specified minimum rent guarantees. For contracts that have specified minimum guarantees, revenue is recorded on a straight-line basis. Ground transportation revenue is recognized based on a combination of the duration of the term of the licences and permits, and utilization fees. Rentals revenue is recognized straight-line over the duration of the respective agreements. Other revenue is mainly composed of deicing revenue which is recognized upon arrival of aircraft.

Post-employment Benefit Obligations

The GTAA maintains defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans for its employees. The cost of defined contribution pension plans is charged to expense as they are earned by employees. The cost of defined benefit plans and other post-employment benefit plans is determined using the projected unit credit method. The related pension asset/liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation as at the consolidated statements of financial position date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Actuarial valuations for defined benefit plans and other post-employment benefit plans are carried out at each consolidated statement of financial position date.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income without recycling to the consolidated statements of operations and comprehensive income (loss) in subsequent periods.

Past service costs are recognized in the consolidated statements of operations and comprehensive income (loss) when incurred.

For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is based primarily on the extent to which the GTAA can unilaterally reduce future contributions to the plan.

Provisions

Provisions are recognized when the GTAA has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the GTAA will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are included in accounts payable and accrued liabilities.

Deferred Financing Costs

Deferred financing costs (except for line of credit fees that are recognized in the period in which they occur) and debt issuance premiums or discounts are included in debt balances and recognized as an adjustment to interest expense over the life of the debt. The GTAA uses the effective interest method to recognize bond interest expense.

Government Grants

In accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, a government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Government grants related to the construction of property and equipment are recognized as a deduction of property and equipment, and amortization expense is calculated on the net amount over the useful life of the related asset. Government grants that compensate for specific expenses incurred or relate to income are deferred when received and recognized in the consolidated statements of operations and comprehensive income (loss) on a systematic basis.

4. Changes in Accounting Policy and Disclosures

The GTAA has adopted the following amendments effective January 1, 2022. These changes were made in accordance with the applicable transitional provisions.

a) Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets:

This standard was amended to clarify: (i) the meaning of "costs to fulfill a contract", and (ii) that, before a separate provision for an "onerous contract" is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments did not have a material impact on the consolidated financial statements.

b) Amendments to IAS 16, Property, Plant and Equipment:

This standard was amended to: (i) prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These amendments did not have a material impact on the consolidated financial statements.

Accounting Standards Issued but not yet Applied

a) Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors:

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. In addition, IAS 1 was amended requiring entities to disclose material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. These amendments are not expected to have a material impact on the consolidated financial statements.

b) Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current:

This amendment states that an entity shall classify a liability as current when it does not have the right at the end of the reporting period to defer settlement of liability for at least 12 months after the reporting period. The entity is required to disclose information about the timing of settlement to enable users of the financial statements to understand the impact of the liability on the entity's financial position. The amendment is effective for annual periods beginning on or after January 1, 2024. The GTAA continues to assess the impact on the consolidated financial statements.

5. Critical Accounting Judgements and Key Source of Estimation Uncertainty

In applying the GTAA's accounting policies, which are described in Note 3, Significant Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Accounting 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

The following are the critical judgements that management has made in the process of applying the GTAA's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Property and Equipment, Intangibles, Other Assets and Investment Property

Critical judgements are utilized in determining amortization rates and useful lives. When assessing the recoverable amount for impairment of property and equipment, intangibles, other assets and investment property, certain key assumptions, including capitalization rates, terminal capitalization rates and discount rates may be used.

Critical judgement is exercised in determining whether an acquisition of investment property or group of investment properties should be accounted for as an asset acquisition or a business combination.

Expected Credit Loss Provision

Management uses judgement to estimate expected credit losses based on its historical credit loss experience, forward-looking factors specific to the customer and the economic environment. The provision could materially change and may result in significant changes to trade and other receivable balances as management continues to assess credit risk.

IFRIC 12, Service Concession Arrangements

Management has concluded that it does not fall within the scope of IFRIC 12, Service Concession Arrangements, given the current structure of the GTAA's arrangements with Transport Canada, whereby the GTAA is not controlled by a single government.

Leases

In some cases, the GTAA sub-leases land held under the Ground Lease to third parties. Management uses its judgement in determining whether the sub-lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Key Source of Estimation Uncertainty

The following are key assumptions concerning the future, and key source of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

Post-employment Benefit Obligations

The GTAA accounts for pension and other post-retirement benefits through the use of actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions, including discount rates, expected salary increases and mortality rates. Actual results may differ from results that are estimated based on assumptions. Additional information is disclosed in Note 13, Post-employment Benefit Obligations.

Airport Improvement Fees

AIF is recognized when departing passengers board the aircraft, using information from air carriers obtained after the boarding has occurred. Therefore, management estimates AIF using information obtained from air carriers, if available, as well as its knowledge of the market, economic conditions and historical experience.

6. Restricted Funds

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("MTI") dated December 2, 1997, as supplemented or amended from time to time, or Medium-Term Note ("MTN") offering documents. These funds consist of the Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") which are invested in cash or eligible short-term financial assets with up to one year to maturity. There are also Operations and Capital and Financing Funds, which are in the form of letters of credit.

As at December 31	2022	2021
	$	$
Debt Service Fund		
Principal	**9,827**	9,183
Interest	**58,897**	61,863
	68,724	71,046
Debt Service Reserve Funds		
Revenue Bonds		
Series 1997 – 3 due December 3, 2027	**37,127**	36,750
Series 1999 – 1 due July 30, 2029	**40,349**	40,053
Medium-Term Notes		
Series 2000 – 1 due June 12, 2030	**39,156**	38,639
Series 2001 – 1 due June 4, 2031	**35,453**	35,222
Series 2002 – 3 due October 15, 2032	**38,297**	38,218
Series 2004 – 1 due February 2, 2034	**39,132**	38,680
Series 2010 – 1 due June 7, 2040	**22,895**	22,622
Series 2011 – 1 due February 25, 2041	**32,386**	31,898
Series 2011 – 2 due December 2, 2041	**18,450**	18,190
Series 2012 – 1 due September 21, 2022	**–**	12,177
Series 2018 – 1 due June 1, 2037	**8,255**	8,202
Series 2019 – 1 due April 3, 2029	**6,942**	6,863
Series 2019 – 2 due October 17, 2039	**12,494**	12,394
Series 2020 – 1 due May 3, 2028	**3,881**	3,855
Series 2021 – 1 due October 5, 2051	**6,365**	6,310
Security for Bank Indebtedness		
Series 1997 – C Pledged Bond	**2,471**	1,528
	343,653	351,601
	412,377	422,647
Less: Current portion	**(68,724)**	(83,223)
	343,653	339,424

As at December 31, restricted funds consisted of the following:

	2022	2021
	$	$
Cash	**28,122**	30,830
Guaranteed Investment Certificates	**384,255**	391,817
	412,377	422,647

Trust Funds

The GTAA is required to establish and maintain with the Trustee the Trust Funds in accordance with the terms of the MTI (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities). The Trust Funds are held for the benefit of the bondholders and noteholders for use and application by the Trustee in accordance with the terms of the MTI.

(a) Debt Service Fund (Principal and Interest)

Amounts in the Debt Service Fund are allocated to either a Principal Account or an Interest Account. Amounts in the Debt Service Fund are disbursed by the Trustee to pay principal and interest as they become due.

On a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. During 2022, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2022 was $9.8 million (December 31, 2021 – $9.2 million). During 2022, principal of $22.0 million (December 31, 2021 – $20.7 million) was paid from the Principal Account of the Debt Service Fund, and $22.6 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999–1 and MTNs (December 31, 2021 – $21.3 million).

Also, on a monthly basis, the GTAA is required to deposit into the Interest Account an amount equal to one-sixth of the semi-annual aggregate interest requirement due on all outstanding bonds and MTNs. The fund balance as of December 31, 2022 was $58.9 million (December 31, 2021 – $61.9 million).

(b) Debt Service Reserve Funds

To the extent provided in any supplemental indenture, the GTAA is required to set aside funds in the Debt Service Reserve Fund for each series of bond or MTNs. The required amount is established at the time of issue of each series of bond or MTNs and is funded from the proceeds of each issue. Amounts held in the Debt Service Reserve Fund are held in trust for the benefit of the bondholders or noteholders for use and application in accordance with the terms of the MTI.

At the maturity of each series of bond or MTNs, funds not applied by the Trustee will be returned to the GTAA.

Included among these Trust Funds is a Debt Service Reserve Fund related to the $1.9 billion pledged bond (Series 1997–C) securing the credit facilities (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities).

(c) Operations, Capital and Financing Funds

The GTAA has established an Operating and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund pursuant to the MTI. The Operating and Maintenance Reserve Fund is calculated as one-sixth of the projected operating and maintenance expenses estimated for the following fiscal year. As at December 31, 2022, this fund was secured by a letter of credit of $83.0 million (December 31, 2021 – $76.0 million). This amount is to be used only for operating and maintenance expenses or other purposes as required for the safe, ongoing operation and maintenance of the Airport as set out in the MTI. The Renewal and Replacement Reserve Fund is also secured by a letter of credit of $3.0 million (December 31, 2021 – $3.0 million). This amount is to be used for unanticipated repairs to, or the replacement of, property and equipment as set out in the MTI.

7. Accounts Receivable

As at December 31	2022	2021
	$	$
Trade accounts receivable	91,724	99,913
Other receivables	3,211	5,174
Less: Expected credit loss allowance	(1,960)	(5,885)
	92,975	99,202
Airport Critical Infrastructure Program receivable	47,000	–
	139,975	99,202

Included in trade accounts receivable and other receivables is $1.7 million due from Canadian Air Transportation Security Authority (December 31, 2021 – $1.7 million) which is a related party for accounting purposes. No provision has been made against these receivables. See Note 14, Related Party Transactions.

Transport Canada announced on March 14, 2022, up to $142.0 million in new funding under the Airport Critical Infrastructure Program to help Toronto Pearson and to support continued air services and important transportation infrastructure projects at the Airport. As a result, a receivable from Transport Canada, which is a related party for accounting purposes, of $47.0 million has been recorded as at December 31, 2022, representing amounts spent on airside restoration and rehabilitation during 2022 that are eligible for reimbursement under this program. These amounts were received subsequent to year–end December 31, 2022.

8. Intangibles and Other Assets

	December 31, 2022		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Land acquisition costs	**50,763**	**(14,540)**	**36,223**
Computer software	**155,459**	**(56,801)**	**98,658**
Clean Energy Supply Contract	**44,655**	**(32,232)**	**12,423**
	250,877	**(103,573)**	**147,304**

	December 31, 2021		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land acquisition costs	50,763	(13,472)	37,291
Computer software	139,262	(39,451)	99,811
Clean Energy Supply Contract	44,655	(28,204)	16,451
	234,680	(81,127)	153,553

The aggregate amortization expense with respect to land acquisition costs for 2022 was $1.1 million (2021 – $1.1 million) and is included in ground rent expense in the consolidated statements of operations and comprehensive income (loss).

A reconciliation of the carrying amount of intangible asset costs is as follows:

	Land Acquisition Costs	**Computer Software**	**Total**
	$	**$**	**$**
Balance, January 1, 2022	**37,291**	**99,811**	**137,102**
Additions	**–**	**16,197**	**16,197**
Amortization expense	**(1,068)**	**(17,350)**	**(18,418)**
Balance, December 31, 2022	**36,223**	**98,658**	**134,881**
Balance, January 1, 2021	38,358	92,231	130,589
Additions	–	23,211	23,211
Amortization expense	(1,067)	(15,631)	(16,698)
Balance, December 31, 2021	37,291	99,811	137,102

On February 1, 2006, the GTAA entered into the Clean Energy Supply Contract ("CES Contract") with Independent Electricity System Operator ("IESO") (formerly, the Ontario Power Authority), pursuant to which the GTAA is obligated to have 90 MW of electrical energy available to the Ontario power grid. The term of the CES Contract is for 20 years, subject to early termination rights available to the GTAA. The contract allows for payments by either party, depending on whether net electricity market revenues that the GTAA is deemed to have earned are greater or less than a predetermined threshold, as defined in the CES Contract.

The carrying value of the CES Contract, which was valued at $44.7 million in 2006, is being amortized on a straight-line basis over the remaining term of the contract. The amortization expense with respect to the CES Contract value for 2022 was $4.0 million (2021 – $4.0 million) and is included in the goods and services expense in the consolidated statements of operations and comprehensive income (loss).

The GTAA also recorded a deferred credit of $44.0 million at such time, which is being amortized on a straight-line basis, over the term of 20 years. The unamortized balance at December 31, 2022 was $6.8 million (December 31, 2021 – $9.0 million). During 2022, the reduction of the unamortized liability of $2.2 million (December 31, 2021 – $2.2 million) was recorded as a reduction to goods and services expense in the consolidated statements of operations and comprehensive income (loss).

9. Property and Equipment

Property and equipment are comprised of:

							December 31, 2022
	Terminal and Airside Assets	**Baggage Handling Systems**	**Improvements to Leased Land**	**Runways and Taxiways**	**Airport Operating Assets**	**Assets Under Construction**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cost							
Balance, beginning of year	**7,105,045**	**456,126**	**9,480**	**597,754**	**735,915**	**247,899**	**9,152,219**
Additions, net of government grants	**191**	**–**	**–**	**–**	**–**	**169,937**	**170,128**
Disposals	**(21,927)**	**–**	**–**	**–**	**(1,265)**	**–**	**(23,192)**
Transfers	**50,501**	**4,133**	**–**	**67,191**	**31,344**	**(153,169)**	**–**
Balance, end of year	**7,133,810**	**460,259**	**9,480**	**664,945**	**765,994**	**264,667**	**9,299,155**
Accumulated amortization							
Balance, beginning of year	**3,060,447**	**249,992**	**3,958**	**275,377**	**435,669**	**–**	**4,025,443**
Amortization expense	**198,661**	**15,962**	**158**	**42,646**	**53,047**	**–**	**310,474**
Disposals	**(21,530)**	**–**	**–**	**–**	**(1,618)**	**–**	**(23,148)**
Balance, end of year	**3,237,578**	**265,954**	**4,116**	**318,023**	**487,098**	**–**	**4,312,769**
Net book value, end of year	**3,896,232**	**194,305**	**5,364**	**346,922**	**278,896**	**264,667**	**4,986,386**

							December 31, 2021
	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets Under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	6,993,703	452,584	9,480	595,164	860,737	315,850	9,227,518
Additions, net of government grants	12	–	–	–	–	106,436	106,448
Disposals	(15,805)	–	–	–	(165,942)	–	(181,747)
Transfers	127,135	3,542	–	2,590	41,120	(174,387)	–
Balance, end of year	7,105,045	456,126	9,480	597,754	735,915	247,899	9,152,219
Accumulated amortization							
Balance, beginning of year	2,874,768	231,745	3,800	253,497	540,023	–	3,903,833
Amortization expense	201,276	18,247	158	21,880	61,577	–	303,138
Disposals	(15,597)	–	–	–	(165,931)	–	(181,528)
Balance, end of year	3,060,447	249,992	3,958	275,377	435,669	–	4,025,443
Net book value, end of year	4,044,598	206,134	5,522	322,377	300,246	247,899	5,126,776

As at December 31, 2022, $264.7 million (December 31, 2021 – $247.9 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $11.3 million (December 31, 2021 – $9.0 million) of capitalized interest. During the year, borrowing costs for active projects were capitalized at the rate of 4.7 per cent, which represents the weighted-average cost of the GTAA's general borrowings (2021 – 4.6 per cent).

10. Investment Property

As at December 31	2022	2021
	$	$
Cost		
Balance, beginning of year	**521,179**	520,449
Additions	**5,664**	730
Balance, end of year	**526,843**	521,179
Accumulated amortization		
Balance, beginning of year	**51,704**	37,877
Amortization expense	**12,541**	13,827
Impairment	**23,000**	–
Balance, end of year	**87,245**	51,704
Net book value, end of year	**439,598**	469,475

Investment property consists of a flight simulator facility and commercial properties (land and buildings) owned by the GTAA and its controlled subsidiaries. These properties are leased to third parties.

There were no investment property acquisitions in the year (2021 – $nil). These commercial properties are subject to municipal real property taxes.

The total fair value of all commercial properties was $538.2 million as at December 31, 2022 (December 31, 2021 – $577.0 million). The recoverable amount was determined as the value-in-use at the cash-generating unit level which is at the property level. These valuations were made by an independent external appraiser, using recognized valuation techniques, comprising of the discounted cash flow and direct capitalization methods. The fair values of these properties are within Level 3 of the fair value hierarchy.

Significant assumptions used in the valuations for office building assets as at December 31, based on available market information included the following:

	2022	2021
Capitalization rate	**5.00 %–6.00 %**	4.50 %–5.50 %
Terminal capitalization rate	**5.25 %–6.50 %**	4.75 %–5.75 %
Discount rate	**6.00 %–7.00 %**	5.50 %–6.25 %

Based on these models, certain office buildings were determined to be impaired. As a result, the carrying values of these properties were reduced to their estimated fair values and an impairment loss of $23.0 million (December 31, 2021 – $nil) was recorded in the consolidated statements of operations and comprehensive income (loss).

For the year ended December 31, 2022, the commercial properties generated $34.1 million (December 31, 2021 – $34.1 million) in rental revenue and incurred $27.4 million (December 31, 2021 – $27.7 million) in direct operating expenses.

11. Long-Term Debt, Commercial Paper and Credit Facilities

As at December 31, 2022, long-term debt and commercial paper ("CP"), net of unamortized discounts and premiums and accrued interest, consisted of:

As at December 31	Coupon Rate	Maturity Date	Principal Amount	2022	2021
Revenue Bonds				**$**	$
1997–3	6.45%	December 3, 2027	321,500	**321,314**	321,033
1999–1	6.45%	July 30, 2029	199,511	**204,241**	226,687
Medium-Term Notes					
2000–1	7.05%	June 12, 2030	526,550	**527,535**	527,467
2001–1	7.10%	June 4, 2031	492,150	**492,018**	491,813
2002–3	6.98%	October 15, 2032	468,960	**475,523**	475,531
2004–1	6.47%	February 2, 2034	567,428	**578,377**	578,162
2010–1	5.63%	June 7, 2040	400,000	**399,127**	399,066
2011–1	5.30%	February 25, 2041	600,000	**607,842**	607,765
2011–2	4.53%	December 2, 2041	400,000	**398,902**	398,832
2012–1	3.04%	September 21, 2022	388,000	**–**	391,070
2018–1	3.26%	June 1, 2037	500,000	**498,317**	498,167
2019–1	2.73%	April 3, 2029	500,000	**501,368**	501,096
2019–2	2.75%	October 17, 2039	900,000	**898,913**	898,646
2020–1	1.54%	May 3, 2028	500,000	**499,074**	498,695
2021–1	3.15%	October 5, 2051	400,000	**399,809**	399,637
				6,802,360	7,213,667
Less: Current portion (including accrued interest)				**(85,128)**	(478,896)
				6,717,232	6,734,771

As at December 31, 2022, accrued interest included in the current portion of the long-term debt was $61.7 million (December 31, 2021 – $65.5 million).

On July 21, 2021, the GTAA completed an amendment of its Master Trust Indenture ("MTI") that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022.

On May 21, 2022, the GTAA exercised its right to redeem all $388.0 million of the outstanding Series 2012–1 Medium- Term Notes ("MTNs") at par on June 21, 2022. The Series 2012–1 MTNs had an original maturity date of September 21, 2022. To refinance the redemption of the Series 2012–1 MTNs, the GTAA issued on June 21, 2022 $79.9 million of CP and the balance was repaid with cash-on-hand. The outstanding CP was fully repaid by August 10, 2022.

As at December 31, interest and financing costs, net, consisted of the following:

	2022	2021
	$	$
Interest income	**10,770**	4,847
Interest expense on debt instruments	**(331,725)**	(329,911)
Capitalized interest	**4,973**	2,886
Amortization of terminated hedges and interest rate swap	**(1,291)**	(1,394)
MTI amendment fees	**–**	(8,723)
Other financing fees	**(2,947)**	(3,852)
Deferred ground rent interest accretion	**(2,730)**	–
	(333,720)	(340,994)

With the exception of Series 1999–1 revenue bonds, principal on each series of revenue bond and MTNs is payable on the maturity date. Series 1999–1 are amortizing revenue bonds repayable in scheduled annual instalments of principal, payable on July 30 of each year. These payments commenced July 30, 2004 and will continue until maturity in 2029.

Set out below is a comparison of the amounts that would be reported if long-term debt amounts were reported at fair values. Fair values were based on quoted market rates for GTAA bonds as at the date of the consolidated statements of financial position. The fair values are within Level 2 of the fair value hierarchy.

	December 31, 2022		December 31, 2021	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**6,802,360**	**6,653,890**	7,213,667	8,535,793

All notes are redeemable in whole or in part at the option of the GTAA at any time.

Each series of notes issued after 2017 has a specific par call date which occurs before the respective maturity date of each series. Any redemptions after the par call date would be made at the bond's respective par value. Any redemptions made prior to the par call date would be subject to the redemption price. The redemption price is defined as the greater of: (i) the face value amount plus accrued and unpaid interest; and (ii) the price based on yields over Government of Canada bonds with similar terms to the par call date (calculated from the redemption date).

There were no material non-cash changes affecting liabilities from financing activities.

Credit Facilities

The $1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility. As at December 31, 2022, no CP was outstanding (December 31, 2021 – $nil), no amounts were drawn from the Operating Credit Facility (December 31, 2021 – $nil), $113.1 million of the $150.0 million Letter of Credit Facility was utilized (December 31, 2021 – $82.3 million), and there were no outstanding contracts under the $150.0 million hedge facility. As at December 31, 2022, the GTAA had borrowing capacity available under its Operating Credit Facility of $1.4 billion ($nil outstanding CP backstopped by this facility), available capacity under its Letter of Credit Facility of $36.9 million and unrestricted cash of $93.8 million, for an aggregate of $1.5 billion in total available liquidity.

12. Leases

Ground Lease

The GTAA's commitment with respect to the annual Ground Lease is based on set percentage levels of the GTAA's revenues (see "Airport Subject to Ground Lease" in Note 1, General Information). Ground rent expense in 2022 was $162.7 million (2021 – $63.7 million) excluding amortization of land acquisition costs (see Note 8, Intangibles and Other Assets).

In 2021, the GTAA and the Government of Canada executed an amendment to the Ground Lease that deferred the payment of ground rent for the 2021 lease year, with repayment over a 10-year period beginning January 2024. As at December 31, 2022, $65.1 million (December 31, 2021 – $63.5 million) has been recorded as deferred ground rent payable on the consolidated statements of financial position, which represents the present value of future payments to take into account the time value of money. The related interest expense for the year has been recorded on the consolidated statements of operations and comprehensive income (loss).

Other Leases as a Lessor

The GTAA leases, under operating leases, land and certain assets that are included in property and equipment and investment property to various third parties. Many leases include renewal options, in which case they are subject to market price revision. The lessees do not have the ability to acquire the leased assets at the end of the lease.

Income recorded on the consolidated statements of operations and comprehensive income (loss) from sub-leasing land in the year was $28.7 million (2021 – $26.9 million).

Variable payments form part of certain lease agreements. Total variable payments recognized in the consolidated statements of operations and comprehensive income (loss) for 2022 was $91.7 million (2021 – $38.3 million).

Future minimum lease receipts (excluding variable payments) from non-cancellable leases are as follows:

	2023	2024	2025	2026	2027	Thereafter
	$	$	$	$	$	$
December 31, 2022	144,602	116,111	94,477	71,332	49,935	251,936

13. Post-Employment Benefit Obligations

Defined Benefit Pension Plans

The GTAA maintains two pension plans with defined benefit provisions. One of these plans is a registered pension plan for former Transport Canada employees who were eligible to elect to transfer their pension credits to the GTAA plan. The other defined benefit pension plan is a registered pension plan for certain retired senior executives of the GTAA. Both plans do not accept new members.

The GTAA measures its accrued benefit obligations and the fair value of plan assets for both of its defined benefit pension plans for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2022, and the next required valuation is as of January 1, 2023.

a) Characteristics of the Plans

Benefit obligations are estimated using the projected unit credit method. Under this method, each participant's benefits under the plans are attributed to years of service, taking into consideration future salary increases (as applicable) and the plan's benefit allocation formula. The GTAA's net obligation is calculated separately for each plan and is determined as the benefit obligation less the fair value of plan assets.

When the above calculations result in a benefit to the GTAA, the recognized asset is limited to the net total of the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plans.

The plans are final average earnings pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the registered plan and for one supplemental plan member, pensions paid are indexed with inflation.

The weighted-average duration of the defined benefit plans is 12.6 years.

b) Risks Associated with the Plans

The nature of these benefits exposes the GTAA to a number of risks, the most significant of which are as follows:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform the discount rate, this will create a deficit under the plan. The pension plans currently invest approximately 27 per cent in equities, which may outperform corporate bonds in the long term, but may contribute to volatility in valuation and risk in the short term. The remaining balance in the pension plans is held in fixed income investments and annuities which reduce or eliminate asset value volatility.

(ii) Changes in Bond Yields

A decrease in corporate bond yields will increase plan obligations, although this may be partially or completely offset by an increase in the value of the pension plan's assets invested in fixed income or the annuity contract.

(iii) Inflation Risk

The majority of the defined benefit plans' obligations are linked to inflation, with higher inflation leading to higher liabilities. The majority of the plan's assets may have some or complete correlation with inflation and, as such, an increase in inflation may reduce any surplus and/or increase any deficit.

(iv) Life Expectancy

The majority of the plans' obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the plans' liabilities, with the exception of life insurance liabilities. For the members covered by the annuity purchase contract, increases in life expectancy will have no effect on the registered pension plan's net asset or liability, as this risk is now borne by the insurer.

c) Amounts Recognized in the Financial Statements

The amounts recognized in the consolidated statements of financial position as at December 31 are determined as follows:

	2022	2021
	$	$
Present value of funded obligation	**(162,521)**	(199,550)
Fair value of plan assets	**228,207**	265,284
Funded status – surplus	**65,686**	65,734
Net defined benefit asset	**65,686**	65,734

The combined movement in the two defined benefit pension plans as at December 31 is as follows:

	2022	2021
	$	$
Accrued benefit obligation		
Balance, beginning of year	**199,550**	218,096
Current service cost	**1,063**	1,233
Interest cost	**6,190**	5,492
Benefits paid	**(8,612)**	(7,807)
Employee contributions	**202**	316
Remeasurements:		
Gain from changes in financial assumptions	**(39,392)**	(16,151)
Experience loss (gain)	**3,520**	(1,629)
Balance, end of year	**162,521**	199,550
Plan assets		
Fair value, beginning of year	**265,284**	282,331
Interest income	**8,252**	7,179
Loss on plan assets, excluding amounts included in interest income	**(32,280)**	(15,681)
Transfer to defined contribution component	**(2,318)**	(742)
Employee contributions	**202**	316
Benefits paid	**(8,612)**	(7,807)
Refundable tax account asset measurement	**(1,909)**	–
Administrative expenses paid from plan assets	**(412)**	(312)
Fair value, end of year	**228,207**	265,284
Funded status – surplus	**65,686**	65,734

As at December 31, 2022, each of the GTAA's defined benefit pension plans was in a surplus position. One plan was in a surplus position of $63.7 million (2021 – $64.7 million), with an accrued obligation of $152.3 million (2021 – $183.8 million) and a fair value of plan assets of $216.0 million (2021 – $248.5 million). The other plan was in a surplus position of $2.0 million (2021 – $1.0 million), with an accrued obligation of $10.2 million (2021 – $15.8 million) and a fair value of plan assets of $12.2 million (2021 – $16.8 million).

The GTAA's net defined benefit pension plan expense for the year ended December 31 is as follows:

	2022	2021
	$	$
Current service cost	**1,063**	1,233
Interest cost	**6,190**	5,492
Interest income	**(8,252)**	(7,179)
Administrative expenses	**412**	312
Defined benefit pension plan expense recognized in net income (loss)	**(587)**	(142)
Amounts recognized in other comprehensive income:		
Gain from changes in financial assumptions	**(39,392)**	(16,151)
Experience loss (gain)	**3,520**	(1,629)
Refundable tax account asset measurement	**1,909**	–
Loss on plan assets	**32,280**	15,681
Total remeasurements recognized in accumulated other comprehensive loss	**(1,683)**	(2,099)

A reconciliation of the net defined benefit asset as at December 31 is as follows:

	2022	2021
	$	$
Net defined benefit asset, beginning of year	**65,734**	64,235
Defined benefit cost included in net income (loss)	**587**	142
Total remeasurements included in other comprehensive income	**1,683**	2,099
Transfer to defined contribution component	**(2,318)**	(742)
Net defined benefit asset, end of year	**65,686**	65,734

The accrued benefit obligation by participant status as at December 31 is as follows:

	2022	2021
	$	$
Active members	42,868	59,571
Vested deferreds	5,065	9,156
Retirees	114,588	130,823
Accrued benefit obligation	**162,521**	199,550

The GTAA's plan assets consist of the following as at December 31:

	Fair Value of Plan Assets	
Asset Category	2022	2021
Equity securities	27%	31%
Fixed income	30%	25%
Annuity buy-in	43%	44%

The fair values of equity and fixed income plan assets are primarily based on quoted market prices in active markets.

d) Significant Actuarial Assumptions

The significant actuarial assumptions used in measuring the GTAA's accrued defined benefit pension plan obligations are as follows (weighted-average assumptions as at December 31):

	2022	2021
Discount rate	5.29%	3.18%
Long-term rate of compensation increase	2.50%	2.50%
Long-term rate of price inflation	2.00%	2.00%
Long-term rate of pension increases	2.00%	2.00%

Mortality rates have been established in accordance with the Canadian Pensioners' Mortality Table Private Sector published by the Canadian Institute of Actuaries, multiplied by 103% and 102% for males and females, respectively.

e) Future Cash Flows

The sensitivity of the post-employment benefit obligation to changes in the weighted-average significant actuarial assumptions as at December 31, 2022 would be as follows:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate			
Long-term rate of compensation increase	1.00%	(18,186)	21,875
Long-term rate of price inflation	1.00%	18,326	(15,752)
Long-term rate of pension increases	1 year	4,227	(4,297)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the obligation to significant actuarial assumptions, the same method (present value of the obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

As at January 1, 2022, the registered defined benefit plan had a funding valuation solvency surplus of $45.4 million and the supplementary defined benefit plan had a solvency surplus of $3.1 million.

Expected contributions, benefit payments and administrative expenses for both defined benefit pension plans for the year ended December 31, 2023 are $nil, $10.1 million and $0.4 million, respectively.

Defined Contribution Pension Plan Expense

The GTAA maintains four pension plans with defined contribution provisions providing pension benefits to employees who commenced working for the GTAA after December 1996 as well as those former Transport Canada employees who elected to transfer their pension credits to the GTAA plan.

In 2021, certain employees, under the terms of their collective agreement, became members of the College of Applied Arts and Technology Pension Plan ("CAAT Pension Plan"). This will cause all future employer contributions to be made to the CAAT Pension Plan instead of the GTAA defined contribution pension plan.

The GTAA's contributions to the registered defined contribution pension plans and the CAAT Pension Plan are a maximum of 6.5 per cent of the employee's gross earnings. The expense for the defined contribution pension plans in 2022 was $7.7 million (2021 – $7.3 million).

For designated employees of one unfunded supplemental plan, the GTAA's notional contribution equals 16 per cent of the employee's gross earnings less amounts already contributed to the plan by the employee and the GTAA. Recorded in post-employment benefit liabilities on the consolidated statements of financial position is the estimated obligation for this plan at December 31, 2022 of $4.3 million (December 31, 2021 – $4.3 million).

Severance Entitlement Plan

The GTAA has a severance entitlement plan for certain employees under the terms of their collective bargaining agreement. The plan provides a payment upon retirement, resignation, termination or death to eligible employees or their beneficiaries based on years of service and vesting restrictions. The GTAA records the cost of this obligation based on an independent actuarial valuation updated annually.

Since the GTAA's accrued severance entitlement plan is unfunded, the net obligation is equal to the sum of the benefit obligations for all the members under this plan. As at December 31, 2022, the balance of the accrued benefit obligation was $2.9 million (2021 – $2.6 million), the post-employment benefit expense recognized in net income (loss) for the year ended December 31, 2022 was $0.3 million (2021 – $0.3 million), benefits paid were $nil (2021 – $0.1 million) and the non-pension remeasurements recognized in other comprehensive income was $nil (2021 – gain of $1.1 million).

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2022, the estimated obligation for this payment is $3.5 million (2021 – $3.2 million), the post-employment benefit expense recognized in net income (loss) for the year ended December 31, 2022 was $0.3 million (2021 – $0.5 million), and the non-pension measurement recognized in other comprehensive income was $nil (2021 – gain of $2.0 million). This amount is included in post-employment benefit liabilities in the consolidated statements of financial position.

14. Related Party Transactions

Related Parties

As a corporation without share capital, the GTAA has Members rather than shareholders. The Members of the GTAA are also its directors. The GTAA is governed by a 15-Member Board of Directors. Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto. Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario. In this respect, the Directors are considered related parties, although all are independent of management.

The Government of Canada and its respective government-related entities, are considered related parties for accounting purposes only due to their ability to nominate Members, and due to the material nature of the Ground Lease (see Note 1, General Information, Airport Subject to Ground Lease). In accordance with IFRS, this meets the definition of significant influence, but not control.

The GTAA has applied the exemption for government-related entities to disclose only significant transactions. See Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority and Transport Canada, and Note 12, Leases, for amounts due under the Ground Lease.

Compensation of Key Management and Directors

The GTAA's related parties also includes Key Management personnel. Key Management includes the CEO, the CFO, the COO and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of management under applicable securities policies.

Compensation to Key Management personnel and Members of the Board of Directors for the year ended December 31, 2022, as included in the consolidated statements of operations and comprehensive income (loss), was $10.0 million (2021 – $9.3 million). Compensation includes salaries, fees, short-term benefits, post-employment benefits and other employee benefits.

15. Commitments and Contingent Liabilities

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2022 of approximately $186.2 million (December 31, 2021 – $119.7 million).

Letters of Credit

A number of letters of credit for $113.1 million in total were outstanding as at December 31, 2022 (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities).

Cogeneration Plant

The GTAA has entered into certain contracts in order to secure the supply and delivery of natural gas necessary for anticipated future operations of the Cogeneration Plant. Under these contracts, the GTAA will be required to make payments relating to both the delivery of natural gas based on standard rate agreements and the cost of natural gas as determined by market rates. The GTAA has also entered into a delivery contract that establishes a maximum volume of natural gas inventory that the GTAA is permitted to maintain, as of November 30 of each year. The GTAA has the option to dispose of natural gas in excess of this maximum volume either through consumption or through the sale of natural gas to third parties.

Contingent Liabilities

The GTAA is subject to legal proceedings and claims from time to time that arise in the normal course of business. Where appropriate, the GTAA has recorded provisions while it actively pursues its position. Where it is the opinion of management that the ultimate outcome of these matters will not result in a probable outflow of cash, no provisions have been recorded.

16. Financial Instruments

Fair Value Hierarchy

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

b) Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; or

c) Level 3 – Significant unobservable inputs that are supported by little or no market activity.

Financial instruments that are not measured at fair value in the consolidated statements of financial position are represented by accounts receivable, accounts payable and accrued liabilities, security deposits, long-term debt and commercial paper, and other liabilities. The fair values of these items, excluding long-term debt, approximate their carrying values due to their short-term nature. The fair value of long-term debt is disclosed in Note 11, Long-Term Debt, Commercial Paper and Credit Facilities.

Restricted funds are categorized as Level 2 as the GTAA uses observable inputs such as yield curves applicable to identical assets to fair value this group. Deferred ground rent payable is categorized as Level 3 as there are no observable inputs.

There were no transfers of financial instruments between the levels during the year.

Risk Management

In the normal course of business, the GTAA is exposed to a number of financial risks that can affect its operating performance. The GTAA's overall financial risk management program seeks to minimize potential adverse effects on the GTAA's financial performance.

The GTAA's treasury function is responsible for the procurement of the GTAA's capital resources and for the management of financial risk. All treasury operations are conducted within policies and guidelines approved by the Board of Directors and are within the requirements set out in the MTI. Compliance with these policies is monitored by the regular reporting of treasury activities to the Audit Committee of the Board. The GTAA's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

Market Risk

a) Interest Rate Risk

The GTAA's exposure to interest rate risk relates to its MTNs and short-term borrowing as described in Note 11, Long-Term Debt, Commercial Paper and Credit Facilities. As at December 31, 2022, all of the GTAA's MTNs are fixed-rate carried liabilities and, therefore, changes in interest rates do not have an impact on interest payments but may have an impact on the fair value of this debt. Borrowings under the CP program, if any, and credit facilities will fluctuate in accordance with changes in interest rates; however, this is not considered significant.

The GTAA also has exposure to interest rate risk through its short-term investments in restricted funds (see Note 6, Restricted Funds), which may cause fluctuations in interest income. As at December 31, 2022, $384.3 million of the GTAA's short-term investment holdings carried various terms to maturity from one to 365 days. Therefore, changes in the interest rate would not have a significant impact on the fair value of restricted funds due to the short-term nature of the investments. The remaining funds were invested in savings accounts that are highly liquid, and therefore the principal balances were protected regardless of changes in interest rates.

b) Foreign Currency Rate Risk

The GTAA undertakes certain transactions denominated in foreign currencies, primarily the U.S. dollar. However, the GTAA's exposure to any foreign currency risk is not significant.

Credit Risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of the contract, causing the other party to suffer a loss. The GTAA is subject to credit risk through its financial assets, which include cash and cash equivalents, restricted funds and accounts receivables. The GTAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss.

a) Cash and Cash Equivalents and Restricted Funds

The GTAA invests its cash and cash equivalents and restricted funds in highly rated investment instruments with low risk profiles according to the guidelines specified in the MTI. The MTI requires that the GTAA invest its restricted funds with financial institutions with investment grade rates of AA or higher. The GTAA also has the ability to invest in highly rated government investment instruments.

The credit quality of cash and cash equivalents and restricted funds that are neither past due nor impaired can be assessed by reference to external credit ratings (if available):

As at December 31	**2022**	2021
	$	$
Cash and cash equivalents		
AA	**93,804**	258,194
Restricted funds		
AA	**412,377**	422,647

b) Accounts Receivable

Credit risk with respect to accounts receivable is managed by the GTAA's credit evaluation process, reasonably short collection terms and the creditworthiness of its customers. The GTAA regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual losses.

Before accepting a new air carrier, the GTAA uses an external credit scoring system to assess the potential customer's credit quality, as well as an internal credit rating system. All customers are subject to credit checks and require prepayment or a deposit in the form of cash, a letter of credit or a letter of guarantee. Operational and credit-related reviews for aeronautical customers are reviewed seasonally for adequacy. Should the requirements for security deposits change, new payment terms or deposit requirements will be established. A security deposit is required for most non-aeronautical customers as well. Credit checks for these latter customers are performed at the time of the agreement negotiations, renewals and amendments.

An expected credit loss allowance is maintained, consistent with the credit risk, historical trends, general economic conditions and other information and is taken into account in the consolidated financial statements.

The credit quality of accounts receivable is assessed by reference to external credit ratings (if available). As at December 31, 2022, $9.3 million in accounts receivables had a moderate-high credit rating and $9.2 million had a low-medium credit rating. An external credit rating was not available for the remaining accounts receivable balance.

There is a concentration of service with two air carriers that represent approximately 50.3 per cent (2021 – 52.6 per cent) of total revenue, and 16.5 per cent (2021 – 19.8 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2022.

Liquidity Risk

Liquidity risk is the risk that the GTAA will not be able to meet its financial liabilities and obligations as they become due.

The GTAA manages liquidity risk by maintaining adequate cash and available credit facilities. The GTAA has taken steps to ensure adequate liquidity, which include extending the commitments available under its revolving credit facility to 2025 to provide additional flexibility, and reducing and/or deferring operational and capital expenditures.

The GTAA has a current internal financial risk policy that includes a statement that the GTAA will always maintain a minimum available liquidity of at least $200.0 million. During the MTI covenant exemption period, the GTAA will, within five days of the end of each quarter, publish on the GTAA's website if such available liquidity at the end of a quarter is below $200.0 million.

Quarterly cash flow projections are prepared by management and reviewed by the Audit Committee to ensure a sufficient continuity of funding. To maintain a flexible program, debt maturities are spread over a range of dates, thereby ensuring that the GTAA is not exposed to excessive refinancing risk in any one year or any period within one year.

The GTAA maintains credit facilities and a CP program and executes a Capital Markets Platform to meet cash needs as debt maturities occur (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities, and Note 20, Capital Risk Management). The GTAA mitigates risk related to liquidity in the CP program via the credit facilities available under its lines of credit.

The table below analyzes the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations, as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. It includes both principal and interest cash flows.

				December 31, 2022
	Less Than 1 Month	**1 Month to 12 Months**	**1 Year to 5 Years**	**Thereafter**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**85,727**	**131,033**	**–**	**–**
Long-term debt and related interest	**6,434**	**339,566**	**2,526,915**	**7,866,758**
	92,161	**470,599**	**2,526,915**	**7,866,758**

				December 31, 2021
	Less Than 1 Month	1 Month to 12 Months	1 Year to 5 Years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities	62,385	125,042	–	–
Long-term debt and related interest	7,145	738,651	2,051,502	8,688,172
	69,530	863,693	2,051,502	8,688,172

Additional disclosure about the GTAA's credit facilities and long-term debt can be found in Note 11, Long-Term Debt, Commercial Paper and Credit Facilities.

Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statements of financial position where the GTAA currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the GTAA enters into various arrangements that do not meet the criteria for offsetting in the consolidated statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the financial instruments which may be subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2022 and 2021, and shows in the "Net Amount" column what the net impact would be on the GTAA's consolidated statements of financial position if all set-off rights were exercised in circumstances described above. As at December 31, 2022, no recognized financial instruments are offset in the consolidated statements of financial position.

			December 31, 2022
	Gross Amount Presented in the Consolidated Statements of Financial Position	**Related Accounts Not Set Off in the Consolidated Statements of Financial Position**	**Net Amount**
	$	**$**	**$**
Financial assets			
Accounts receivable	**92,975**	**(31,869)**	**61,106**
Restricted funds	**412,377**	**(409,906)**	**2,471**
	505,352	**(441,775)**	**63,577**
Financial liabilities			
Security deposits	**(31,869)**	**31,869**	**–**
Long-term debt (including current portion)	**(6,802,360)**	**409,906**	**(6,392,454)**
	(6,834,229)	**441,775**	**(6,392,454)**

			December 31, 2021
	Gross Amount Presented in the Consolidated Statements of Financial Position	Related Accounts Not Set Off in the Consolidated Statements of Financial Position	Net Amount
	$	$	$
Financial assets			
Accounts receivable	99,202	(31,291)	67,911
Restricted funds	422,647	(421,119)	1,528
	521,849	(452,410)	69,439
Financial liabilities			
Security deposits	(31,291)	31,291	–
Long-term debt (including current portion)	(7,213,667)	421,119	(6,792,548)
	(7,244,958)	452,410	(6,792,548)

17. Revenue

During the year, the GTAA recognized $1,273.6 million (2021 – $680.7 million) from contracts with customers and $218.3 million (2021 – $146.1 million) of revenue was recognized under IFRS 16, Leases.

Deferred revenue was $40.9 million as at December 31, 2021, and was fully recognized in the consolidated statements of operations and comprehensive income (loss) in 2022. Cash in the amount of $37.4 million was received during the year that related to performance obligations yet to be satisfied resulting in a deferred revenue balance of $37.4 million as at December 31, 2022.

18. Accounts Payable and Accrued Liabilities

As at December 31	**2022**	2021
	$	$
Trade payables	**99,114**	51,083
Accrued expenses	**98,291**	112,579
Commodity sales tax payable	**3,200**	6,079
Provisions	**13,825**	15,180
Other liabilities	**2,330**	2,506
	216,760	187,427

19. Goods and Services Expense by Nature

Years Ended December 31	**2022**	2021
	$	$
Property and equipment maintenance and repairs	**83,187**	56,552
Outsourcing and professional services	**106,361**	64,627
Utilities	**26,865**	20,467
Policing and security	**55,957**	46,628
Snow removal	**23,858**	15,406
AIF administration fee	**16,439**	5,892
Small parts and material supplies	**9,041**	11,147
Insurance	**9,158**	7,801
Reversal of expected credit loss allowance	**(3,911)**	(2,500)
Other	**32,441**	23,388
	359,396	249,408

20. Capital Risk Management

The GTAA defines its capital as current and long-term portions of debt; borrowings under the CP program, if any; borrowings under the GTAA's credit facilities, if any (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities); cash; and restricted funds (see Note 6, Restricted Funds).

The GTAA's objectives when managing capital are to:

a) Maintain a capital structure and an appropriate credit rating that provide financing options to the GTAA when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity or resulting in a downgrade to the credit ratings of the existing indebtedness;

b) Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments; and

c) Satisfy covenants set out in the MTI, in applicable years.

The GTAA is a corporation without share capital and, accordingly, is funded through operating revenues, AIF revenue, restricted funds, the debt capital and CP markets and its bank credit facilities. The GTAA uses a rate-setting methodology that targets levels of cash flow sufficient not only to fund operating expenses, maintenance and restoration capital expenditures, and partial debt repayment but also, in most years, to fund certain other capital investments. Consistent with this mandate, any excess funds generated by the GTAA are reinvested in the Airport.

Capital Markets Platform

The GTAA's ongoing capital requirements, as noted above, are financed through the issuances of debt. The GTAA maintains a financing program referred to as the Capital Markets Platform, capable of accommodating a variety of corporate debt instruments. All indebtedness incurred under the Capital Markets Platform is secured under the MTI, which establishes common security and a set of common covenants by the GTAA for the benefit of all its lenders. The security is comprised of: an assignment of the revenues of the GTAA; a specific charge on certain funds; restricted funds and accounts; an unregistered first leasehold mortgage of the GTAA's leasehold interest in the Airport; and a guarantee and related collateral security of subsidiaries, as designated from time to time.

The Debt Service Reserve Funds are funded from the net proceeds of each bond or MTN issuance (see Note 6, Restricted Funds). The MTI contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant) such that: (i) Revenues in each Fiscal Year are sufficient to make all required debt service payments and deposits in funds and reserve funds, and all other payments required to be made by the GTAA in the ordinary course of its consolidated business; and (ii) Net Revenues, together with any Transfer from the General Fund in each Fiscal Year, equal to at least 125 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the MTI). Both financial tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets. In 2021, the GTAA completed an amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022.

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. See Note 11, Long-Term Debt, Commercial Paper and Credit Facilities.

21. Subsequent Event

Subsequent to year-end, the GTAA received $73.1 million in funding under the Airport Critical Infrastructure Program. Of this balance, $47.0 million represents amounts spent on airside restoration and rehabilitation during 2022 (see Note 7, Accounts Receivable), and the balance relates to advance payments under the program.

DISCLOSURE REQUIREMENTS OF THE GROUND LEASE

Subsection 9.01.07, Paragraphs (a) to (g) of the Ground Lease requires the Greater Toronto Airports Authority ("GTAA" or "Corporation") to publish in its Annual Report the following:

a) Audited Financial Statements

The auditors' report and the audited financial statements are found on pages 50 to 78 and the summary of affairs (Management's Discussion and Analysis or "MD&A") is found on pages 26 to 49 of the Annual Report.

b) Report on the Business Plan and Objectives for 2022

The projected cash flows in any year constitute the business plan for that year. The business plan for 2022 is the 2022 summary of projected cash flows, which is found below in Paragraph (c) (the "2022 Business Plan"). A report on the GTAA's performance relating to the 2022 Business Plan is discussed in Paragraph (c) below and in the MD&A.

c) Variances and Corrective Measures with Respect to the Report on the 2022 Business Plan

The following table provides a comparison between the 2022 actual results and the 2022 Business Plan.

	2022		
(in thousands, unaudited)	Actual	Business Plan	Favourable/ (Unfavourable)
	$	$	$
Revenues	1,491,865	1,245,200	246,665
Operating expenses	(733,297)	(688,700)	(44,597)
Earnings before amortization, impairment on investment property and interest expense, net	**758,568**	**556,500**	**202,068**
Amortization	(340,365)	(324,300)	(16,065)
Impairment of investment property	(23,000)	–	(23,000)
Interest expense and financing costs, net[1]	(322,950)	(343,400)	20,450
Consolidated net income (loss)	**72,253**	**(111,200)**	**183,453**
Add: Amortization	340,365	324,300	16,065
Add: Impairment of investment property	23,000	–	23,000
Add: Interest expense and financing costs, net[1]	322,950	343,400	(20,450)
Add: Other non-cash items	6,732	–	6,732
Add: Changes in working capital	20,648	–	20,648
Cash flow from operations	**785,948**	**556,500**	**229,448**
Less: Acquisition and construction of property, expenditures, and intangible assets	(217,006)	(260,000)	42,994
Less: Acquisition and construction of investment property	(5,664)	–	(5,664)
Add: Change in restricted cash	10,270	–	10,270
Less: Interest paid and other financing costs, net	(327,914)	(343,400)	15,486
Cash source (use) before capital sources	**245,634**	**(46,900)**	**292,534**

1 Includes interest income of $11 million.

For a more complete discussion of the 2022 financial results and capital projects, see the MD&A and the Annual Information Form for the year ended December 31, 2022, copies of which are available on SEDAR at **www.sedar.com**. The GTAA's MD&A is also available on its website at **www.torontopearson.com**.

For the year ended December 31, 2022, Consolidated Net Income for the GTAA was $183.5 million favourable to the 2022 Business Plan, primarily as a result of increased revenue.

For the year ended 2022, revenues were $246.7 million favourable to the 2022 Business Plan, primarily due to: i) higher than expected aviation activity from passenger flights (ii) favourable passenger volumes driving increased Airport Improvement Fees ("AIF"); and (iii) greater than expected concession and parking revenue.

For the year ended 2022, operating expenses were unfavourable to Budget by $44.6 million driven by higher ground rent expense as a result of higher revenue, higher AIF fees from increased passenger volumes, higher baggage handling repairs and maintenance costs, cleaning costs, snow removal costs as a result of harsher winter weather conditions in the first quarter of 2022, higher energy, professional and consulting services costs, elevator/escalator and parking facility maintenance costs, the implementation of IAS 38 (Cloud Computing Arrangements – IAS 38, Intangible Assets) and higher security cost.

For the year ended 2022, amortization expense was unfavourable to budget by $16.0 million is primarily due to the accelerated amortization of certain runway assets replaced in the year.

For the year ended 2022, interest expense, net of interest income, was $20.5 million favourable to the 2022 Business Plan, primarily due to higher capitalized interest, and higher than planned interest income.

Due to the ongoing COVID-19 pandemic and its impact on passenger volumes, the GTAA continued to maintain a lower capital plan budgeting $260 million in 2022. Projects continued to be primarily focused on Maintenance, Safety, and Regulatory types of projects. Over the course of 2022, actual capital spend totaled $245 million or $15 million unfavourable to budget due to a number of reasons, including supply chain disruptions. Spend during the year primarily related to certain ongoing restoration projects such as the Airside Pavement Restoration Program, Border Modernization, Check-In and the Terminal 3 Temporary Arrivals Transfer Facility. A further discussion of key projects can be found in the "**Capital Projects and Acquisitions**" section of the MD&A.

Pursuant to the MTI, the deposit to the Notional Principal Fund and the letter of credit adjustment regarding the Operations and Maintenance Reserve Fund were as projected.

d) Summary of the Five-Year Business Plan

The five-year Business Plan (2023 to 2027) is driven by four key corporate goals:

- Driving operational resiliency;
- Restoring passenger experience and confidence;
- Paving the way for profitable growth; and
- Enhancing the productivity and wellness of our employees.

As we bridge through the pandemic period and into recovery, we will position ourselves for success in a new, more digital and sustainable world. The projected compounded annual growth rates from 2023 to 2027 for passengers, seats, and MTOW are 7 per cent, 5 per cent and 6 per cent, respectively.

Effective January 1, 2023, Aeronautical Fees were increased a modest 4 per cent and AIF Fees were increased by $5 to $35 and by $1 to $7 for departing and connecting passengers, respectively.

The Corporation typically undertakes capital projects to meet one of the following key objectives: (i) to comply with regulatory requirements (e.g., safety, security or environmental); (ii) to expand the capacity or improve the productivity of existing assets; (iii) to restore or replace existing assets; (iv) to modify existing infrastructure to improve revenue or reduce costs; or (v) to add new capacity or businesses to the Airport beyond the existing infrastructure.

In the near term, the Corporation will preserve liquidity and emphasize a capital program that represents ongoing support for the return of the passengers in 2023 and beyond. Capital expenditures during the five-year period of 2023 through 2027 may range between $500 million to $700 million per year with the focus on completing current active projects and executing on the Transformative Capital Plan.

As a reporting issuer, the GTAA is restricted in its ability to publish forward looking information. The reader is cautioned that some assumptions used to derive forecast information may not materialize due to unanticipated events and circumstances, such as the COVID-19 pandemic. Therefore, the actual results achieved during the period may vary, and the variations may be material. For a more complete discussion of the risks and uncertainties and caution regarding forward-looking statements, see the MD&A and the Annual Information Form, copies of which are available on SEDAR at **www.sedar.com**. The GTAA's MD&A is also available on its website at **www.torontopearson.com**.

e) Remuneration to Board and Salary of Senior Officers

For 2022, the Chair of the Board of Directors received remuneration in the amount of $200,000, while the other Directors earned remuneration ranging from $23,167 to $100,667. For 2022, salaries for the Corporation's senior officers ranged from $386,000 to $750,000. Senior officers are also eligible for short term and long term performance incentives.

A Director's annual remuneration varies depending on whether the Director serves as a Chair of a committee, and whether the Director has served for a full or part year. Prior to May 1, 2022, Directors also received remuneration for attendance at Board and Board Committee meetings; however, per meeting fees were eliminated and an all-inclusive fee structure was implemented effective May 1, 2022. A senior officer's salary varies by the responsibilities and experience of the senior officer and whether the senior officer has served for a full or part year.

Additional information regarding the remuneration paid to the Directors and the senior officers is available in the Annual Information Form, copies of which are available on SEDAR at **www.sedar.com**.

f) Ethical Business Conduct

The Corporation has a "Code of Business Conduct and Ethics" (the "Code"), which has been approved by the Corporation's Board of Directors (the "Board"). The Code complies with the requirements of the Canadian Securities Administrators' National Policy 58-201 and represents a comprehensive approach to addressing, among other matters, conflicts of interest and promoting fair, honest and ethical behaviour by all of the Corporation's Directors, officers, employees and contractors. A copy of the Code may be accessed on SEDAR at **www.sedar.com**.

The Board monitors compliance with the Code, and the Corporation requires that each Director and officer sign an Annual Declaration advising that the Director or officer has read the Code and either declares that the Director or officer is in compliance or not in compliance with the Code and declares the reasons for the non-compliance. In addition, the Board has implemented Confidential Anonymous Reporting for Employees ("C.A.R.E."), which permits the anonymous reporting of an employee, officer or Director's unethical behaviour. C.A.R.E. also extends to business partners contracted by the Corporation.

All Directors and officers indicated that they are in compliance with the Code.

g) Report on Contracts Over $127,000 Not Tendered

The Ground Lease stipulates that any contracts in excess of $127,000 (adjusted periodically by CPI from an original threshold of $75,000) that are not awarded through a public tendering process must be described in the Corporation's Annual Report. Such description must identify: the parties to the contracts; the amount, nature and circumstances of the contract; and the reasons for not awarding such contract on the basis of a public competitive tendering process. The table below summarizes the applicable contracts awarded in 2022. Definitions for the "reason for award without public tender" can be found at the end of the table.

Contract Value	Contractor	Description	Reason for Award without Public Tender
$127K–$5M			
	Transoft Solutions Inc. 2037106	Autoturn Pro 3D And Map	B
	Linkedin Corporation	Linkedin Learning Content	A
	Aviation Information Sharing And Analysis Centre, Inc 2052230	Aviation Information Sharing And Analysis Centre Inc. Subscriber Agreement	B
	Oag Aviation Worldwide Llc	Official Airline Flight Schedule Subscription	B
	Bridgecon Construction Ltd. 2057587	Project 13278 – Gate B7E Asphalt Reinforcement At Main Gears (Patching)	A
	Daifuku Technologies 2057878	T1 Baggage handling system Track Curve Material	C
	Kenstruct Ltd. 2056161	Preventative Maintenance And Repair Deficiencies – Props	A
	Ai-Ms Aviation Infrastructure Management Systems 2055545	Air Traffic Analysis Tools	C
$5M–$10M			
	Assaia Apron AI	SaaS that allows the GTAA to capture, measure and report on aircraft gate events	B

A. Where the GTAA determines that in connection with an existing contract for the supply of goods and services that is expiring, it is most efficient and practicable to extend or award a new contract to the existing contractor or services supplier where such contractor or services supplier has developed a specific skill set or knowledge base in respect of that contract not found on the market.

B. Where there is just one contractor, or services supplier, that can provide the required goods or services.

C. Where warranty, patent or copyright requirements or technical compatibility factors dictate a specific supplier.

Where a competitive sourcing process was undertaken, and a contract entered into pursuant to which the GTAA receives revenue, then any associated acquisition of goods and services is not deemed to be a sole source contract.

Section 9.01.07, Paragraphs (a) to (g) of the Ground Lease

The Tenant shall, prior to each public meeting to be held pursuant to Subsection 9.01.05, publish an annual report in respect of the Lease Year (in this Subsection 9.01.07 called "that Lease Year") immediately preceding the Lease Year in which the public meeting is held which shall, as a minimum:

a) include the audited annual financial statements of the Tenant for that Lease Year, the Tenant's Auditor's report on such Tenant's audited annual financial statements, and a summary of the Tenant's affairs for that Lease Year;

b) contain a report on the Tenant's performance relating to the Tenant's business plan and objectives established for that Lease Year, and as applicable for the previous five Lease Years;

c) include an explanation by the Tenant of all variances and corrective actions taken with respect to the Tenant's performance described in Paragraph 9.01.07(b);

d) present a summary of the Tenant's business plan for the then current Lease Year and the Tenant's business plan containing a forecast for the next five Lease Years, including specific objectives (measurable where feasible), for such summary and forecast and relating to the approved objectives of the Tenant;

e) contain a report on the remuneration provided to each Board member and on the salary of each of the Senior Officers of the Tenant;

f) contain a report on compliance or non-compliance with the Tenant's Code of Conduct; and

g) report on all contracts in excess of an amount obtained by multiplying seventy-five thousand ($75,000) dollars by the CPI Adjustment Factor for that Lease Year which are entered into during that Lease Year and which contracts were not awarded on the basis of a public competitive tendering process. Such report shall identify the parties to the contract, the amount of the contract, the nature of the contract, the circumstances of the contract and the reasons for not awarding such contract on the basis of a public competitive tendering process.

FORWARD-LOOKING INFORMATION

This Annual Report contains certain forward-looking statements or forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Words such as “believe”, “expect”, “plan”, “intend”, “estimate”, “anticipate”, “project”, and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would” and “could”, often identify forward-looking information.

Specific forward-looking information in this document includes, among others, statements regarding the following: the expected impact of the COVID-19 pandemic including on the long-term financial sustainability of Toronto Pearson; expected domestic and international passenger traffic and cargo; expected return to pre-COVID-19 passenger and flight levels; investment in the Airport including with respect to capital projects and physical infrastructure; future Airport demand or activity; the GTAA’s borrowing requirements and its ability to access the capital markets; the GTAA’s ability to comply with covenants; debt levels and service costs; revenues, cash flows, working capital and liquidity and no funding shortfalls; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; budgets and expenditures relating to capital programs and the funding of such programs; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport; the use of certain restricted reserve funds; and the funding of outstanding capital commitments.

There is inherently more uncertainty associated with the material factors and assumptions underlying the forward-looking information contained in this document compared to prior periods due to the COVID-19 pandemic. Travel demand is volatile, including due to changing government restrictions in Canada and around the world and the course of the COVID-19 virus and the emergence and spread of variants. If the course of the COVID-19 virus changes prompting governments to reimpose restrictions, these restrictions and passengers’ concerns about travel due to the COVID-19 pandemic, will severely inhibit demand for air travel. The COVID-19 pandemic is also having significant impacts, including on business and consumer spending which may impact demand for travel. The GTAA cannot predict the full impact or the timing for when COVID-19 pandemic conditions may change.

Other material factors and assumptions include: government and passenger actions; the post-COVID-19 pandemic economic recovery; the impact of costs associated with new processes, technology solutions and facility enhancements in response to the COVID-19 pandemic; the GTA’s population base and diversified economy will provide the basis for strong aviation demand in the future; air carrier capacity will meet future demand for air travel in the Greater Toronto Area; the Greater Toronto Area will continue to attract domestic and international travellers; no other significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; the GTAA will be able to access the capital markets at competitive terms and rates; and no significant cost overruns relating to capital projects will occur. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

There is significant risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information. Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, but are not limited to: risks related to the COVID-19 pandemic or other public health emergencies on the GTAA’s business; air carrier instability; passenger volumes; inability to meet business objectives; non-payment by customers and the GTAA’s ability to comply with covenants under its MTI and credit facilities post-2022; continuing volatility in current and future economic activity including shocks to the macroeconomic environment (changes in fuel prices, inflation, currencies, employment and spending); capital market conditions and credit rating risk; competition from other airports; wars, riots or political action; labour disruptions; disruptions caused by extreme weather, natural disasters or other events which impact air industry networks; geopolitical unrest; acts of terrorism or cyber-security threats; disruptions to information technology infrastructure; the loss of key personnel; changes in laws or regulations including rate regulation; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; loss of commercial revenues; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental factors and climate change; changing attitudes towards air travel; the availability of aviation liability and other insurance; the timing of recovery and receipt of insurance proceeds; construction risk; legal proceedings and litigation; and other risks detailed on **page 47** and from time to time in the GTAA’s publicly-filed disclosure documents.

The forward-looking information contained in this document represents expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information or future events or for any other reason.

We welcome your feedback

If you have any questions or comments regarding this Annual Report, or suggestions for topics you'd like to see covered in future reports, please write to us at:

Greater Toronto Airports Authority
Toronto Pearson International Airport
P.O. Box 6031
3111 Convair Drive
Toronto AMF, Ontario, Canada L5P 1B2

or send an email to Publication@GTAA.com.

Thank you for your interest

The Greater Toronto Airports Authority (GTAA) was incorporated in 1993 and manages Toronto Pearson International Airport under terms set out in our December 1996 lease with the Canadian federal government.

Concept and Design
worksdesign.com

torontopearson.com

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