

Management's Discussion and Analysis of the Greater Toronto Airports Authority

March 31, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2023

Dated May 9, 2023

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 "Company") for the quarter ended March 31, 2023 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements of the GTAA for the same period. In addition, the reader is directed to the Consolidated Financial Statements and MD&A 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 Government of Canada, 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 Government of Canada under the Ground Lease.

SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

	Three months ended March 31			
	2023	2022	Change ¹	%
(\$ millions)				
Total Revenues	425.7	282.7	143.0	50.6
Total operating expenses (excluding amortization)	222.8	161.7	61.1	37.7
EBITDA ^{2,3}	202.9	121.0	81.9	67.7
EBITDA Margin ^{2,3}	47.7 %	42.8 %		4.9 pp
Earnings Before Interest, Net ⁴	123.5	38.2	85.3	223.3
Net Income (Loss)	48.8	(44.6)	93.4	209.4
<i>See "Results of Operations" for details</i>				
<i>See "Net Operating Results for reconciliation from net income (loss) to EBITDA"</i>				
Free Cash Flow ⁵ (\$ millions)	162.3	33.5	128.8	384.5
<i>See "Liquidity and Capital Resources" section for details</i>				
Passenger Activity (millions)				
Domestic	3.4	2.0	1.4	63.9
International	6.6	3.2	3.4	107.6
Total	10.0	5.2	4.8	90.4
Flight Activity				
Aircraft movements (thousands)	86.8	63.2	23.6	37.3
MTOW ⁶ (million tonnes)	7.8	5.8	2.0	34.2
Seats (millions)	12.1	8.0	4.1	50.6
Load factor	82.9 %	64.7 %		18.2 pp
<i>See "Operating Activity" section for details</i>				

	As at March 31			
	2023	2022	Change ¹	%
Total Debt (\$ millions)	6,841.7	7,249.8	(408.1)	(5.6)
Net Debt ⁷	6,173.3	6,535.4	(362.1)	(5.5)
Key Credit Metrics (\$)				
Total Debt / Enplaned Passenger ⁸	338	862	(524)	(60.8)
Net Debt ⁷ / Enplaned Passenger ⁸	305	777	(472)	(60.7)
<i>See "Liquidity and Capital Resources" section for details</i>				

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, 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 before interest, net is 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 and the Airport Critical Infrastructure Program ("ACIP") grants received, 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 Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

8 For credit metric purposes, enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.

OVERVIEW

The GTAA's purpose 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 the first quarter of 2023, passenger and flight activity at the Airport grew significantly when compared to the same period of 2022, however, operating activity was below the same period of 2019 (pre-COVID-19 pandemic). During the first quarter of 2023, passenger activity recovered to 86.0 per cent of the first quarter of 2019 passenger activity.

In particular:

- Toronto Pearson processed 10.0 million passengers, an increase of 4.8 million or 90.4 per cent more passengers than it did in the same period of 2022 due to the removal of pandemic-related government travel restrictions, together with pent-up travel demand;
- Passenger volumes at Toronto Pearson significantly increased to an average of 111,300 per day from an average of 58,500 per day in the same period of 2022;
- The average number of flights increased to 963 per day when compared to 701 per day in the same period of 2022;
- The average number of airlines operating at Toronto Pearson decreased to 55 from 56 when compared to the same period of 2022;
- However, passenger and flight activity remains lower than historic measures, particularly when compared to the first quarter of 2019, when passenger volumes averaged 129,400 per day and number of flights averaged 1,190 per day.

Financial Performance Summary

During the first quarter of 2023, the GTAA earned and generated:

- Revenues of \$425.7 million, an increase of \$143.0 million or 50.6 per cent, compared to the same period of 2022;
- EBITDA of \$202.9 million, an increase of \$81.9 million or 67.7 per cent, compared to the same period of 2022;¹
- Net income of \$48.8 million, an increase of \$93.4 million, compared to the net loss of \$44.6 million in the first quarter of 2022; and
- Free cash flow of \$162.3 million, an increase of \$128.8 million, compared to the same period of 2022.²

Corporate Strategy

The GTAA launched a new 10-year Strategic Plan in 2023. The GTAA's vision is "Putting the joy back into travel by making Toronto Pearson the chosen place to fly and work". 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. This plan includes a series of time horizons that give the GTAA the flexibility to pivot and be agile, while ensuring that it is also evolving over the long term to facilitate the growth it expects over the next decade.

¹ EBITDA, a non-GAAP financial measure, is earnings from operations before interest and financing costs, and amortization. Refer to section "Non-GAAP Financial Measures".

² Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities, per the consolidated statements of cash flows, and ACIP grants received less capital expenditures (property and equipment, and investment property) and interest and financing costs paid, net of interest income (excluding non-cash items). Refer to section "Non-GAAP Financial Measures".

The GTAA's mission is to:

- Make Toronto Pearson a global leader in airport performance, customer care and sustainability;
- Create a next-generation airport by innovating in all that it does, striving for the most uplifting, safe and efficient experience for its passengers; and
- Champion the prosperity of the Company's people, the community it calls home, and its aviation partners.

In pursuit of its strategy, the GTAA developed four strategic pillars to support its vision:

- Customer Experience
- Operational Efficiency
- Innovation
- Culture / Employee Experience

With the first year of the strategic plan currently underway, the GTAA is actively collaborating with its partners to focus on summer 2023 readiness across the ecosystem at Toronto Pearson to ensure stability and resiliency during the busy season. The GTAA is also committed to its corporate sustainability strategy and working with its nearby communities by investing one per cent of its net earnings to fund specific endeavours.

As part of its long-term strategy, the GTAA is working with its partners to plan for smart growth, flexibility, and investment in the future, now. The Company's new Transformative Capital Plan ("TCP") focuses on revitalizing Airport facilities, building for recovery, expanding capacity, and delivering new technologies. For further details on the GTAA's TCP, refer to 'Capital Plan, Programs and Projects' section of this MD&A.

Additional information on the Company's corporate strategy can be found in the GTAA's 2022 Annual Report.

Executive Announcements

On February 6, 2023, J'Maine Chubb commenced as the GTAA's new Chief Financial Officer.

Pat Neville, Vice President of Airport Development and Technical Services, retired effective February 23, 2023.

On February 23, 2023, Bernardo Gogna commenced as the GTAA's new Chief Infrastructure Officer.

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

Martin Boyer, Vice President and Chief Information Officer, retired effective April 12, 2023. The search process to replace Mr. Boyer is in progress.

Aviation Industry, Operational and Environmental Recognition

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 volumes and flight activity, including aircraft movements, size and seats.

Passenger Activity

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

During the first quarter of 2023, 10.0 million passengers traveled through the Airport, a significant increase of 4.8 million or 90.4 per cent, when compared to the first quarter of 2022. The largest growth was in the international sector with an increase of 3.4 million or 107.6 per cent, whereas the domestic sector recorded an increase in passenger traffic of 1.4 million or 63.9 per cent. Passenger activity increased given the removal of pandemic-related government travel restrictions, together with pent-up travel demand.

The following table summarizes passenger activity by sector for the three-month periods ended March 31, 2023 and 2022:

Passenger Activity ²	Three months ended March 31			
	2023	2022	Change ¹	
<i>(in millions)</i>				%
Domestic	3.4	2.0	1.4	63.9
International	6.6	3.2	3.4	107.6
Total	10.0	5.2	4.8	90.4
<i>(in millions)</i>				
Origin and destination	7.4	3.7	3.7	90.3
Connecting	2.6	1.5	1.1	90.5
Total	10.0	5.2	4.8	90.4
Origin and destination ¹	73.7 %	71.9 %		1.8 pp
Connecting ¹	26.3 %	28.1 %		(1.8)pp
Total	100.0 %	100.0 %		

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

² These calculations are estimates only, based on airline reporting, and therefore may vary from actual numbers.

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.

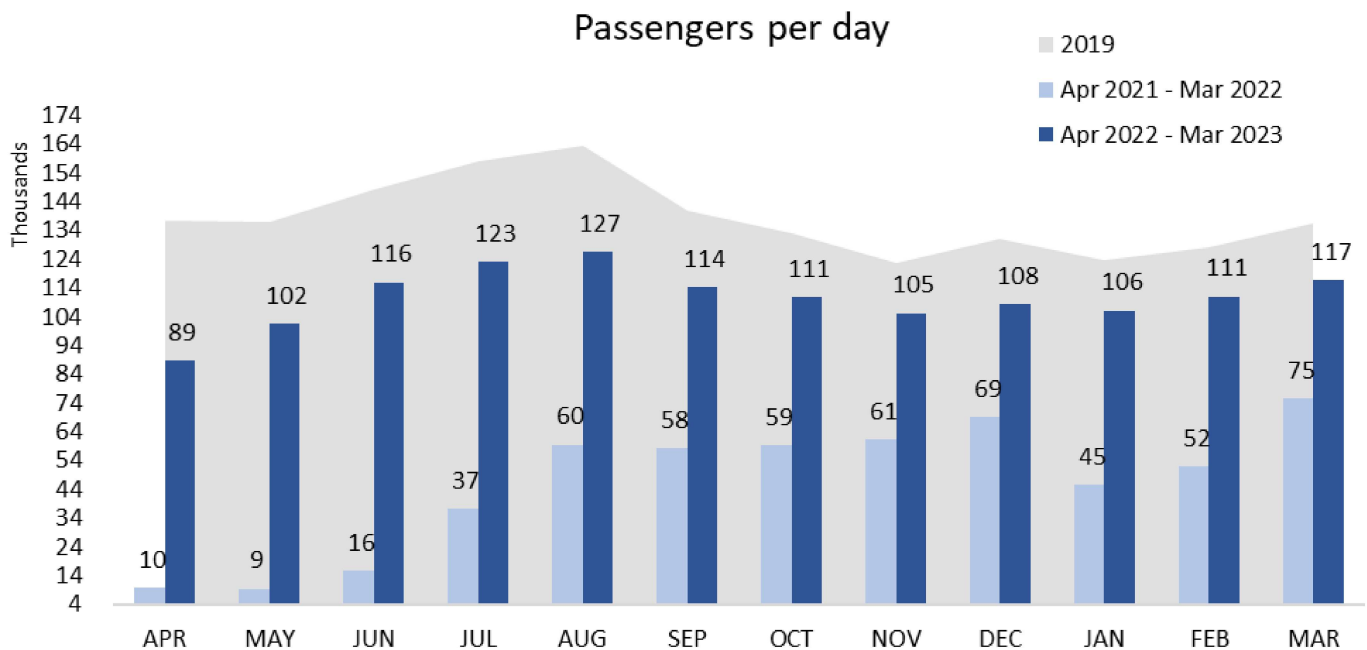
During the first quarter of 2023, the number of origin and destination passengers increased 3.7 million or 90.3 per cent to 7.4 million passengers while the number of connecting passengers increased 1.1 million or 90.5 per cent to 2.6 million passengers, when compared to the same period of 2022. During the first quarter of 2023, the percentages of origin and destination passengers and connecting passengers were 73.7 per cent and 26.3 per cent, respectively, compared to 71.9 per cent and 28.1 per cent, respectively, in the same period of 2022.

During the first quarter of 2023:

- Passenger volumes at Toronto Pearson significantly increased to an average of 111,300 per day from an average of 58,500 per day in the same period of 2022;
- The average number of flights increased to 963 per day when compared to 701 per day in the same period of 2022; and
- The average number of airlines operating at Toronto Pearson decreased to 55 from 56 when compared to the same period of 2022.

During the first quarter of 2023, passenger activity recovered to 86.0 per cent of the first quarter of 2019 passenger activity.

The following table outlines the average daily number of passengers per month that traveled through Toronto Pearson from April 2022 to March 2023, when compared to April 2021 to March 2022 and 2019 (pre-COVID-19).



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 three-month periods ended March 31, 2023 and 2022.

Flight Activity ¹	Three months ended March 31			
	2023	2022	Change ²	
			%	
<i>(in thousands)</i>				
Aircraft movements ³	86.8	63.2	23.6	37.3
Passenger aircraft movements	77.0	53.2	23.8	44.9
Non-passenger aircraft movements	9.8	10.0	(0.2)	(2.0)
<i>(in millions)</i>				
MTOW (tonnes)	7.8	5.8	2.0	34.2
Seats	12.1	8.0	4.1	50.6
Seats per passenger aircraft movement	156.9	150.9	6.0	3.9
Load factor	82.9 %	64.7 %		18.2 pp

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 the first quarter of 2023, aircraft movements, which include both passenger and non-passenger aircraft movements, increased 37.3 per cent, when compared to the same period of 2022; passenger aircraft movements increased 44.9 per cent; non-passenger aircraft movements decreased 2.0 per cent; and MTOW increased 34.2 per cent to 7.8 million tonnes. The increases were all due to several factors, including pandemic-related government travel restrictions in place during the first quarter of 2022, whereas, these travel restrictions were not in place during the first quarter of 2023.

During the first quarter of 2023, seats increased by 50.6 per cent to 12.1 million seats, when compared to the same period of 2022. The number of seats per passenger aircraft movement during the first quarter of 2023 increased by 3.9 per cent to 156.9 seats, when compared to the same period of 2022. This is due to several factors including the recovery of international travel and the change in fleet mix when compared to the same period of 2022. Load factors during the first quarter of 2023 increased 18.2 percentage points, when compared to the same period of 2022. This is due to the return to normal airline operating conditions in the first of quarter of 2023 when compared to the same period of 2022.

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 established aeronautical rate setting principles that balance fiscal prudence, commercial and stakeholder considerations. While maintaining 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. The AIF enables the GTAA to fund capital projects, both existing and upcoming, which strengthens the ecosystem at Toronto Pearson and builds for the future. Annually, the GTAA undertakes a consultative process with the airline community to discuss the capital projects that will ultimately be funded through the AIF.

Effective January 1, 2023, the following changes to aeronautical fees and charges and AIF were implemented:

- Aeronautical rates for commercial aviation, 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.

During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with Air Canada and WestJet in part to adjust the fees paid under the agreements to reflect the reduced flight activity during the COVID-19 pandemic. Under the amended agreements, 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 the first quarter of 2023 and will pay in the rest of 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 three-month periods ended March 31, 2023 and 2022.

Revenues	Three months ended March 31			
	2023	2022	Change ¹	
(\$ millions)			\$	%
Landing fees	100.9	75.9	25.0	32.9
General terminal charges	58.8	39.4	19.4	49.3
Aeronautical Revenues	159.7	115.3	44.4	38.5
Concessions and rentals	69.4	61.0	8.4	13.7
Car parking and ground transportation	53.5	27.9	25.6	91.6
Other	13.3	19.3	(6.0)	(31.3)
Commercial Revenues	136.2	108.2	28.0	25.8
Airport Improvement Fees	129.8	59.2	70.6	119.5
Total Revenues	425.7	282.7	143.0	50.6

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

Aeronautical revenues increased 38.5 per cent to \$159.7 million during the first quarter of 2023, when compared to the same period of 2022, primarily due to the significant growth in flight activity and, to a lesser extent, the rate increase on January 1, 2023.

Consolidated concession and rental revenues increased 13.7 per cent to \$69.4 million during the first quarter of 2023, when compared to the same period of 2022. This increase was mainly due to the significant growth in operating activity. The GTAA's concession revenues, which includes revenues from retail tenants, advertising and sponsorship partners at the Airport, increased 19.4 per cent to \$29.8 million during the first quarter of 2023, when compared to the same period of 2022. Rental revenues increased 9.8 per cent to \$39.6 million during the first quarter of 2023, when compared to the same period of 2022. Excluding ACI revenues, rental revenues increased 17.8 per cent to \$31.2 million during the first quarter of 2023, when compared to the same period of 2022.

During the 12-month period prior to the end of March 31, 2023, retail store sales per enplaned passenger ("SPE") at Toronto Pearson were \$28.71 versus \$26.52 in the same period of 2022, a \$2.19 or 8.3 per cent increase. The increase was primarily due to the growth in the food and beverage, and foreign currency exchange businesses. 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.

Car parking and ground transportation revenues increased 91.6 per cent to \$53.5 million during the first quarter of 2023, when compared to the same period of 2022. The increase was mainly due to the increased operating activity growth and revenue management in the first quarter of 2023. The surface lot parking (i.e., uncovered parking which requires snow clearing), including the remaining rooftops, and Car Care (i.e. car cleaning and detailing services) reopened during

the second quarter of 2022. In addition, ground transportation revenues increased due to newly negotiated agreements in the second half of 2022 with on-Airport car rental companies and higher prices associated with a shortage of vehicles for rent.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, decreased 31.3 per cent to \$13.3 million during the first quarter of 2023, when compared to the same period of 2022. The changes in other revenues were primarily from the deicing operations. Deicing revenues decreased 33.6 per cent or \$4.8 million during the first quarter of 2023 to \$9.5 million compared to the same period of 2022 due to a rate reduction to reflect the cost-recovery model.

AIF revenues increased 119.5 per cent to \$129.8 million during the first quarter of 2023, when compared to the same period of 2022. The increase was primarily due to the higher passenger volume, and partially due to a fee increase and a larger proportion of originating/departing passengers versus connecting in the first quarter of 2023.

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 three-month periods ended March 31, 2023 and 2022.

Expenses (\$ millions)	Three months ended March 31			
	2023	2022	Change ¹	
			\$	%
Ground rent	47.8	30.9	16.9	54.7
PILT ²	2.9	3.0	(0.1)	(4.7)
Total ground rent and PILT	50.7	33.9	16.8	49.3
Goods and services	116.0	81.7	34.3	41.9
Salaries, wages and benefits	56.1	46.1	10.0	21.8
Total Operating Expenses before Amortization	222.8	161.7	61.1	37.7
Amortization of property and equipment, investment property and intangible assets	79.4	82.8	(3.4)	(4.0)
Total Operating Expenses	302.2	244.5	57.7	23.6
Interest expense on debt instruments and other financing costs, net of interest income	74.7	82.8	(8.1)	(9.9)
Total Expenses	376.9	327.3	49.6	15.1

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 Government of Canada 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 annually. Ground rent expense increased by 54.7 per cent to \$47.8 million during the first quarter of 2023, when compared to the same period of 2022, primarily due to the significant increase in revenues.

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 4.7 per cent to \$2.9 million during the first quarter of 2023, when compared to the

same period of 2022, as it was based on 2021 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 41.9 per cent or \$34.3 million to \$116.0 million during the first quarter of 2023, when compared to the same period of 2022. The increased costs were due to higher general repairs and maintenance costs, baggage handling system costs, professional and consulting services costs, AIF administration costs from increased passenger volumes, cleaning costs, and snow removal costs as a result of harsh winter weather conditions in the first quarter of 2023, and \$2.8 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 21.8 per cent or \$10.0 million to \$56.1 million during the first quarter of 2023, when compared to the same period of 2022. The increase in this expense was primarily due to new employees hired in mid- to late-2022 in Airport operations and maintenance teams as a result of the increased passenger and flight activity at the Airport.

Amortization of property and equipment, investment property and intangible assets decreased 4.0 per cent to \$79.4 million during the first quarter of 2023, when compared to the same period of 2022. The decrease was mainly due to the acceleration of amortization of certain assets during the first quarter of 2022.

Interest expense and other financing costs, net of interest income, decreased 9.9 per cent to \$74.7 million during the first quarter of 2023, when compared to the same period of 2022. The decrease was due to the increase in interest income associated with higher interest rates in the first quarter of 2023, when compared to the same period of 2022, and due to the incremental savings in interest costs from the early redemption of Series 2012–1 medium-term-notes ("MTNs") in June 2022.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the three-month periods ended March 31, 2023 and 2022.

Net Operating Results	Three months ended March 31			
	2023	2022	Change ¹	
(\$ millions)			\$	%
Net Income (Loss)	48.8	(44.6)	93.4	209.4
Add: Interest and financing costs, net	74.7	82.8	(8.1)	(9.9)
Earnings before interest and financing costs, net	123.5	38.2	85.3	223.3
Add: Amortization ²	79.4	82.8	(3.4)	(4.0)
EBITDA ³	202.9	121.0	81.9	67.7
EBITDA Margin	47.7 %	42.8 %		4.9 pp

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 the first quarter of 2023, the GTAA generated net income of \$48.8 million, an improvement in operating results of \$93.4 million, when compared to the net loss of \$44.6 million in the same period of 2022. 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, and amortization ("EBITDA") increased 67.7 per cent to \$202.9 million during the first quarter of 2023, when compared to the same period of 2022. The EBITDA margin increased by 4.9 percentage points to 47.7 per cent during the first quarter of 2023, when compared to the same period of 2022. The increase in EBITDA and EBITDA margin were primarily due to the significant increase in revenues associated with higher operating activity, partially offset by 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 June 30, 2021 through March 31, 2023, is set out in the following table.

	Quarter Ended							
	2023	2022				2021		
(\$ millions) ¹	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun
Revenues	426	403	422	384	283	275	246	154
Operating expenses (excluding impairment of investment property and amortization) ²	223	211	194	167	162	157	125	109
Impairment of investment property	—	23	—	—	—	—	—	—
Amortization ²	79	101	74	82	83	81	90	82
Earnings (Loss) before interest and financing costs, net	124	68	154	135	38	37	31	(37)
Interest and financing costs, net	75	77	80	83	83	84	89	81
Net Income (Loss)	49	(9)	74	52	(45)	(47)	(58)	(118)

¹ Rounding may result in the figures differing from the results reported in the condensed consolidated interim financial statements and consolidated financial statements.

² 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 PLAN, PROGRAMS AND PROJECTS

Transformative Capital Plan

Demand for air travel has come back strong and it continues to grow. For the GTAA to meet the demands of additional passengers in future, it is working with its partners to plan for smart growth, flexibility, and invest in the future, now. The Company's new TCP focuses on revitalizing Airport facilities, building for recovery, expanding capacity, and delivering new technologies.

The TCP will guide the GTAA's capital investments to: enhance the customer experience; create a sustainable future airport; build new revenue sources; drive operational performance and efficiency; build a digital future and smart capacity; and create an inclusive environment and a new value proposition for communities.

Airport Critical Infrastructure Program

During 2022, Transport Canada agreed to \$140.0 million in new funding under the Airport Critical Infrastructure Program ("ACIP"), representing 50 per cent of eligible expenditures of certain programs and projects, to help Toronto Pearson and to support continued air services and important transportation infrastructure projects at the Airport. The ACIP 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").

As part of the ACIP, the GTAA recorded a receivable from Transport Canada of \$15.9 million, representing amounts spent under the Biosecurity-enabled Check-In and Boarding Processing projects that are eligible for reimbursement as at March 31, 2023. These amounts were received subsequent to March 31, 2023.

Additionally, in March 2023, the GTAA received \$73.1 million in funding under the ACIP from Transport Canada. Of this balance, \$48.8 million was applied against eligible amounts spent on the Airside Pavement Restoration Program as at March 31, 2023. The balance of \$24.3 million, which relates to deferred payments under the program, has been recorded as a liability on the condensed statements of financial position as at March 31, 2023. These amounts are scheduled to be spent in 2023.

Current Capital Programs and Projects

During the first quarter of 2023, the GTAA funded capital investments primarily through operating cash flows. The GTAA may access the capital markets as required to fund future capital spend.

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

1) 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. During 2023, the plans include rehabilitating approximately 0.26 million square meters of airside surfaces, including taxiways, apron slabs, and service roads. The overall budget for this program is \$257 million. From the inception of the Airside Pavement Restoration Program to March 31, 2023, the GTAA has expended \$158.8 million. Refer to the above 'Airport Critical Infrastructure Program' for reimbursements under ACIP for this project.

2) 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. The fourth work package was suspended during the COVID-19 pandemic and has now resumed. Phase 1 of the program, including the fourth work package, is expected to be complete in 2024. The overall budget for phase 1 of this program is \$235 million. From the inception of the Baggage-Handling Infrastructure Program to March 31, 2023, the GTAA has expended \$199.4 million.

3) 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 need to be replaced. Additionally, the current systems do not support new and critical touchless and/or low-touch processes for all passengers. As a result, the GTAA has procured, received and is implementing the next-generation check-in solution at the Terminals as a replacement. The objective of this project is to achieve: increased passenger flow and processing times creating more Airport capacity, less bottlenecks, and an improved passenger experience; greater flexibility to adapt to regulatory changes and airline implementations; increased operational stability and reduced check-in and boarding failures/incidents; and streamlined processes for check-in that eliminates touchpoints and reduces inputs for passengers that require additional assistance. The overall budget for this project is \$35 million. From the inception of

the Biosecurity-enabled Check-In and Boarding Processing project to March 31, 2023, the GTAA has expended \$9.6 million. Refer to the above 'Airport Critical Infrastructure Program' for reimbursements under the ACIP for this project.

4) 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 next-generation airport by delivering “no-touch”/reduced-touch processing while enhancing and improving passenger flow. The objective of this project is to achieve: faster passenger processing times; less face-to-face officer interaction and handling of documents; greater throughput of passengers in limited physical spaces; increased identification of fraudulent documents; and the use of industry-leading Digital Travel Credentials on the e-gates and kiosks to process passengers (instead of the physical passport) as the technology comes online in Canada. The overall budget for this project is \$29 million. From the inception of the Border Modernization project to March 31, 2023, the GTAA has expended \$13.5 million. Refer to the above 'Airport Critical Infrastructure Program' for reimbursements under the ACIP for this project.

5) 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. The objective of the project is to 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 while diminishing the connection time between flights. They will be able to connect within a secure area of the Terminal. The overall budget for this project is \$23 million. From the inception of the T-SPIL project in 2021 to March 31, 2023, the GTAA has expended \$11.2 million.

6) Infield Concourse (“IFC”) Modernization

The IFC modernization project will refresh six existing gates and add five additional gates at the infield concourse located west of Terminal 3. The objective of the project is to accommodate passenger growth and maintain gate availability and resiliency during the various capital projects underway at Terminals 1 and 3. The overall budget for this project is \$47 million. From the inception of the IFC modernization project to March 31, 2023, the GTAA has expended \$5.5 million.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at March 31, 2023 as compared to December 31, 2022, are set out in the following table.

<i>(\$ millions)</i>	March 31, 2023	December 31, 2022	Change 2023 – 2022
Total assets	6,386.1	6,306.0	80.1
Total liabilities	7,205.4	7,177.3	28.1
Deficit and accumulated other comprehensive loss	(819.3)	(871.3)	52.0

As at March 31, 2023, when compared to December 31, 2022, the GTAA’s total assets increased by \$80.1 million primarily due to increases of \$105.3 million in cash and \$57 million in restricted funds, offset by decreases of \$58.9 million in the net book value of property and equipment and \$31.1 million in Airport Critical Infrastructure Program receivable. The GTAA’s total liabilities increased by \$28.1 million primarily due to increases of \$38.5 million in the timing of accrued interest and \$24.3 million in advanced payments, offset by decreases of \$27.1 million in accounts payable and accrued liabilities and \$6.4 million in other liabilities. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of \$819.3 million as at March 31, 2023, as reported on the condensed interim consolidated statements of financial position, has decreased due to the earnings during the quarter, which is attributable to the increase in passenger and flight activity.

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 periods indicated:

(\$ millions)	Three months ended March 31		
	2023	2022	Change
Cash flows from operating activities	197.5	117.5	80.0
Capital expenditures ¹ - property and equipment	(70.9)	(35.0)	(35.9)
Capital expenditures ¹ - investment property	(1.0)	(1.7)	0.7
Funds received under Airport Critical Infrastructure Program	73.1	—	73.1
Interest paid and other financing costs, net ²	(36.4)	(47.3)	10.9
Free Cash Flow ³	162.3	33.5	128.8
Increase in restricted funds	(57.0)	(48.5)	(8.5)
Net Cash Inflow/(Outflow)	105.3	(15.0)	120.3

	As at March 31		
	2023	2022	Change
Total Debt	6,841.7	7,249.8	(408.1)
Cash	(199.1)	(243.2)	44.1
Restricted funds	(469.3)	(471.2)	1.9
Net Debt ⁴	6,173.3	6,535.4	(362.1)

Key Credit Metrics (\$)			
Total Debt/Enplaned Passenger ⁵	338	862	(60.8) %
Net Debt ⁴ /Enplaned Passenger ⁵	305	777	(60.7) %

(1) Capital expenditures - property and equipment relate to acquisition and construction of property and equipment and intangible assets; Capital expenditures - investment property are acquisition of investment property. Both are per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at March 31, 2023.

(2) Interest paid and financing costs, net excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, as per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at March 31, 2023.

(3) Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows, and ACIP grants received less interest and financing costs paid net of interest income, and capital expenditures (projects and property acquisitions). 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 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 the first quarter of 2023 increased \$80.0 million to \$197.5 million, when compared to the same period of 2022, primarily due to the significant increase in revenues over the increase in costs. Free cash flow during the first quarter of 2023 increased \$128.8 million to \$162.3 million, when compared to the same period of 2022, primarily driven by the significant increase in cash flows from operations and the receipt of \$73.1 million of ACIP grants, partially offset by the increase in capital expenditures. Free cash flow is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section for additional information. Net cash flow during the first quarter of 2023 increased \$120.3 million to a net cash inflow of \$105.3 million, when compared to the same period of 2022, due to the same reasons above.

Gross Debt decreased by \$408.1 million to \$6.8 billion as at March 31, 2023 when compared to March 31, 2022 due to the repayment of series 2012–1 MTNs. Net Debt decreased by \$362.1 million to \$6.2 billion as at March 31, 2023 when

compared to March 31, 2022 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.

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 \$862 as at March 31, 2022 to \$338 as at March 31, 2023 due to a reduction in gross debt and significantly higher passenger volumes; and net debt per enplaned passenger declined from \$777 as at March 31, 2022 to \$305 as at March 31, 2023 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’s net liquidity position (including cash) as at March 31, 2023 was approximately \$1.6 billion. 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, government assistance to date, positive cash flow from operations, its effective management of capital expenditures, 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 Morningstar (“DBRS”).

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. The GTAA’s Annual Information Form for the year ended December 31, 2022 contains more detailed information about the GTAA’s current credit ratings.

As at March 31, 2023, the GTAA had borrowing capacity available under its Operating Credit Facility of \$1.4 billion, available under its Letter of Credit Facility of \$36.9 million and unrestricted cash of \$199.1 million, for an aggregate of \$1.6 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.

March 31, 2023

December 31,
2022**Liquidity and Credit Facilities** (\$ millions)

Source	Currency	Expiry	Size	Drawn / CP Backstop / Issued	Available	Available
Cash and cash equivalents	CAD				199.1	93.8
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, 2023	150.0	113.1	36.9	36.9
			1,550.0	113.1	1,436.9	1,436.9
Total net liquidity (including cash)					1,636.0	1,530.7
3) Hedge Facility ³	CAD	Per contract	150.0	—	150.0	150.0
Total credit facilities and cash			1,700.0	113.1	1,786.0	1,680.7

¹ The Operating Credit Facility is a committed bank facility which is revolving in nature.

² As at March 31, 2023, 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. 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 March 31, 2023, 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 March 31, 2023, the GTAA had a working capital surplus of \$51.0 million, computed by subtracting current liabilities from current assets. This was primarily due to the large cash balance offset by 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 \$1.6 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 March 31, 2023 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.

Contractual Obligations <i>(\$ millions)</i>	Payments Due by Period				
	Total	Less than 1 year	1 year to 3 years	4 years to 5 years	Thereafter
Accounts payable and accrued liabilities	189.6	189.6	—	—	—
Purchase obligations ¹	950.3	333.6	309.7	97.8	209.2
Long-term debt principal	6,776.0	23.4	51.5	379.9	6,321.2
Interest payable on long-term debt	3,922.8	321.8	638.8	631.7	2,330.5
	11,838.7	868.4	1,000.0	1,109.4	8,860.9

¹ Purchase obligations include commitments for goods and services contracts as at March 31, 2023 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 \$204.1 million.

Accounts payable, accrued liabilities and purchase obligations are expected to be funded through cash-on-hand and operating cash flows, while 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 as at March 31, 2023 of approximately \$204.1 million, compared to \$186.2 million at December 31, 2022. 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.

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, 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 earnings from operations before interest and financing costs, 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, and ACIP grants received 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 Condensed Interim Consolidated Financial Statements as at March 31, 2023 and 2022. 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, 2023. These changes were made in accordance with the applicable transitional provisions.

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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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 mid-2022, and Hazel McCallion in early 2023.

The Government of Canada and its respective government-related entities are 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 International Financial Reporting Standards ("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.

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 other executives who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. As at March 31, 2023, 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 condensed interim 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 March 31, 2023, 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 March 31, 2023, 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 quarter ended March 31, 2023 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 document 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. 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.

Words such as "believe", "expect", "plan", "predict", "project", "intend", "estimate", "preliminary", "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "may", "should", "would" and "could" often identify forward-looking information. Specific forward-looking information in this document includes, among others, statements regarding the following: 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.

The forward-looking information is based on a variety of material factors and assumptions including, but not limited to, whether: population continues to grow in the long term; employment and personal income provide the basis for increased aviation demand in the Greater Toronto Area; the Canadian, United States, and global economies grow at expected levels; air carrier capacity meets the demand for air travel in the Greater Toronto Area; the growth and sustainability of air carriers contributes to aviation demand in the Greater Toronto Area; the impact of costs associated with new processes, technology solutions and facility enhancements are recoverable in the ordinary course; the Greater Toronto Area continue to attract domestic and international travelers; no other significant event such as a pandemic, natural disaster, or other calamity occur and have 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 occur. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

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: public health emergencies; air carrier instability; passenger volumes; inability to meet business objectives; non-payment by customers; the GTAA's ability to comply with covenants under its Master Trust Indenture and credit facilities; continuing volatility in current and future economic activity including shocks to the macroeconomic environment (e.g. changes in fuel prices, inflation, currencies, employment and spending); capital market conditions and credit rating risk; competition from other airports; wars (including the military conflict between Russia and Ukraine), 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 document 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.