Greater Toronto Airports Authority

Management's Discussion and Analysis and Consolidated Financial Statements

December 31, 2020 and 2019

GTAA

Toronto Pearson

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

December 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Dated March 24, 2021

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, 2020 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2020 and 2019, and the Annual Information Form for the year ended December 31, 2020. 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 Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations 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, which was executed in December 1996 (the "Ground Lease"). The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years. 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

($ millions)	**2020**	2019	**Change** [1]	**%**	2018
Total Revenues	**823.5**	1,521.3	(697.8)	(45.9)	1,471.7
Total operating expenses (excluding amortization)	**544.7**	795.4	(250.7)	(31.5)	751.1
EBITDA [2, 3]	**278.8**	725.9	(447.1)	(61.6)	720.6
EBITDA Margin [2, 3]	**33.9 %**	47.7 %		(13.8)pp	49.0 %
(Loss) Earnings Before Interest, Net [4]	**(69.0)**	435.1	(504.1)	(115.9)	443.6
Net (Loss) Income	**(383.4)**	139.8	(523.2)	(374.2)	113.7
See "Results of Operations" for details					
See Net Operating Results for reconciliation from net (loss) income to EBITDA					
Free Cash Flow [5] *($ millions)*	**(513.1)**	(0.2)	(512.9)		(124.6)
See "Liquidity and Capital Resources" section for details					
Passenger Activity *(millions)*					
Domestic	**5.5**	18.1	(12.6)	(69.8)	17.8
International	**7.8**	32.4	(24.6)	(75.8)	31.7
Total	**13.3**	50.5	(37.2)	(73.6)	49.5
Flight Activity					
Aircraft movements *(thousands)*	**174.4**	452.8	(278.4)	(61.5)	472.7
MTOW [6] *(million tonnes)*	**16.0**	38.4	(22.4)	(58.3)	37.4
Seats *(millions)*	**21.9**	60.0	(38.1)	(63.4)	59.3
Load factor	**60.7 %**	84.3 %		(23.6)pp	83.4 %
See "Operating Activity" section for details					

	At December 31				
	2020	2019	**Change** [1]	**%**	**2018**
Total Debt *($ millions)*	**7,002.8**	6,411.7	591.1	9.2	6,370.3
Net Debt [7]	**6,481.8**	5,965.2	516.6	8.7	5,959.1
Key Credit Metrics *($)*					
Total Debt / Enplaned Passenger [8]	**1,052**	254	798	314.2	258
Net Debt [7] / Enplaned Passenger [8]	**974**	236	738	312.7	241
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 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 (Loss) Earnings 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 and financing costs less 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 as specified by the aircraft 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 Enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.

OVERVIEW

The GTAA's mandate includes developing, managing and operating airports within the south-central Ontario region, to set fees and charges for the use of such airports and to develop and improve airport facilities. Toronto Pearson, as a global hub, continues to serve the Southern Ontario region and connects flights to and from other domestic and international destinations.

COVID-19 Pandemic

SARS-CoV-2, more commonly known as "COVID-19", was declared a pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic and resulting economic contraction has had, and is expected to continue to have, a material negative impact on demand for air travel globally. Toronto Pearson has experienced material declines in passenger and flight activity since March 2020, as compared to the same periods in 2019. Due to the pandemic and the resultant travel restrictions including border closures, severe financial impacts and economic contraction, there have been multiple flight and route cancellations by air carriers.

During 2020, Toronto Pearson processed 73.6 per cent fewer passengers than it did in the same period in 2019. In the period from March 2020 to December 2020, passenger volumes at Toronto Pearson dropped significantly from an average of 141,000 per day to an average of 13,000 per day, as compared to the average for March 2019 to December 2019. The number of flights dropped as well, from an average of 1,191 per day to approximately 253 per day, as compared to the average for March 2019 to December 2019. As at December 31, 2020, airlines operating at Toronto Pearson dropped from 67 to 45, as compared to December 31, 2019.

The reduced activity is having a material and negative impact on the GTAA's business and results of operations, including aeronautical and commercial revenues and Airport Improvement Fees ("AIF"). During 2020, total revenues dropped 45.9 per cent or $697.8 million, compared to 2019. During 2020, the GTAA incurred a net loss of $383.4 million, a decrease of 374.2 per cent or $523.2 million, compared to a net income of $139.8 million in 2019.

The pandemic has also 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 current and projected flight activity. Under the amended agreements, for the remainder of 2020 and the entirety of 2021, each carrier will 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. In 2022 and 2023, each of the carriers will pay 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 growth thresholds are exceeded in a given year. While considerable uncertainty remains over the near-term demand for air travel, the amended agreements are expected to result in reduced overall aeronautical revenues to the GTAA over their remaining terms.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. The GTAA has provided financial accommodation and other assistance through a number of programs including payment abatements, deferrals and contract relief through proposed and amended contracts. The GTAA has taken a measured approach so as to offer these arrangements to partners that are in good standing and that the GTAA believes will be critical partners post COVID-19. These accommodations have, and will continue to have, over the period covered by the accommodation, an adverse impact on the GTAA's business and related cash flows. The majority of deferred payments have been paid in late 2020, while the remaining deferrals are expected to be paid in 2021. Exposure to payment deferrals is mitigated in part by some security deposits in the form of cash and letters of credit, as well as active credit monitoring activities. There can be no assurance that deferred amounts will be collected in accordance with the terms of the deferral arrangements, or at all.

The GTAA, both solely and in cooperation with government, partners and employees, has taken the following actions in response to the pandemic:

a. *Financial Response*

- From March 1, 2020 until December 31, 2020, the GTAA drew $690.0 million of cash from short-term borrowings in light of the continuing impact of the COVID-19 pandemic on the GTAA's revenues and operations. On November 3, 2020, the GTAA issued $500.0 million Series 2020-1 Medium-Term Notes ("MTNs") due May 3, 2028 at a coupon rate of 1.54 per cent for net proceeds of $497.8 million. The net proceeds partially paid down the outstanding short-term debt. The GTAA's net liquidity position (including cash) as at December 31, 2020 was $1.4 billion.

- The GTAA has implemented significant reductions to operating and capital expenditures, including a hiring freeze and a reduction in 2020 actual capital spend by $265 million. Details on these reductions are noted under the "Capital Projects" section. In addition, the GTAA has temporarily closed operating access to over 40 per cent of its terminal facilities given the reduced travel activity.

- On July 14, 2020, Toronto Pearson announced the reduction of approximately 500 positions due to impacts created by COVID-19. The GTAA announced that it would not fill approximately 200 unfilled positions and would eliminate approximately an additional 300 existing positions through voluntary departures and layoffs. The cuts represent a reduction of 27 per cent of the GTAA's pre-pandemic workforce. The GTAA has worked with Unifor and the Pearson Airport Professional Firefighters to implement the changes while respecting their collective bargaining agreements. In addition, Management and the Board implemented reductions to their compensation arrangements. As at December 31, 2020, the GTAA has estimated the financial impact of the restructuring to be approximately $22.5 million which is recorded in salary, wages and benefits expense on the consolidated statements of operations and comprehensive (loss) income.

- On July 27, 2020, the GTAA successfully completed an amendment to the Corporation's Master Trust Indenture ("MTI"). The MTI amendment temporarily exempts the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI, which is comprised of two covenant tests, for fiscal years 2020 and 2021. See "Liquidity and Capital Resources".

- On July 31, 2020, the GTAA extended its committed revolving operating credit facility ("Operating Credit Facility") by an additional year to May 22, 2023. Concurrent with the extension, the credit facility syndicate also approved the exemption of the MTI Rate Covenant for fiscal years 2020 and 2021 as it relates to the credit facility agreements.

- On September 30, 2020, the GTAA announced the following changes to aeronautical rates and the AIF, effective January 1, 2021:
    - Aeronautical rates for commercial aviation increased by 3 per cent.
    - The AIF for departing passengers increased by $5 to $30, in line with the average of other major city Canadian airports.
    - The AIF for connecting passengers increased by $2 to $6.
    - Aeronautical rates for all business and general aviation aircraft 19,000 kilograms or less increased to $575 per arrival movement.

  These changes to aeronautical rates and the AIF follow more than a decade during which there were no increases to commercial aeronautical rates or the AIF at Toronto Pearson. In addition to other revenue-generating and cost-cutting initiatives, these increases will contribute to the GTAA's ability to make continued investments in healthy air travel and industry recovery.

b. Passenger and Safety Response

- The GTAA has placed passenger and employee health first and has implemented safety measures with guidance from the GTAA's new Chief Medical Officer and public health agencies, to reduce the spread of COVID-19. These measures include: increased cleaning; providing hand sanitizer; metering of arriving flights; working with government agencies to ensure that passengers are processed efficiently and safely; reconfiguration of passenger queuing, in-terminal seating, kiosks and check in counters to allow better distancing; and signs, digital screens, passenger announcements and floor markers to encourage social distancing.

- In June 2020, Toronto Pearson launched its "Healthy Airport" 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 that outlines the steps that the Airport and its partners are implementing to restore confidence in the safety of air travel given the new realities. The commitment has evolved since June 2020 and includes the following:

    - The Airport has implemented improved technologies resulting in faster and reduced touch processes;
    - All passengers and Airport workers must wear a face covering at all times when in public areas of the Airport;
    - Access to the Airport, including the terminal buildings, is limited to travellers disembarking from flights and departing travellers, and workers performing their work duties;
    - Everyone using Airport facilities must maintain two meters physical distance whenever possible and wear a face covering;
    - Airport workers must not dwell or loiter in terminal spaces and must not use seating inside the Terminals;
    - Every vendor, contractor, and employer operating at the Airport must have in place a "workplace contact tracing program" that allows them to quickly identify, remove/self-isolate at home, educate, and support individuals who have had close contact with someone who has tested positive for COVID-19; and
    - A COVID-19 Safety Alert ("CSA") device was made available to GTAA employees working on-site at the Terminals to help reinforce physical distancing, improve existing workplace contact tracing processes and allow more timely notification to help reduce the spread of COVID-19 in the workplace.

- On September 10, 2020, Toronto Pearson became the first Canadian airport to achieve global Health Accreditation by Airports Council International.

- On March 1, 2021, Toronto Pearson was awarded "Best hygiene measures by region" in North America by Airports Council International. New this year as a result of the COVID-19 pandemic is a survey category on airport hygiene. This new accolade is largely the result of Toronto Pearson's Healthy Airport initiative, which is a multi-layered approach to creating a safe and healthy airport experience through enhanced cleaning informed by an industrial hygienist; measures such as mask wearing and limited terminal access; innovative solutions such as UV-C light disinfection and air quality monitoring; and a commitment to advancing scientific knowledge through various testing trials as four foundational pillars of the program.

- The GTAA knows that the entire passenger experience extends beyond the Airport. This means that the passenger views the safety of travel in every step: from their home, to and through the terminal, the airplane environment, destination surface travel and accommodation, followed by the return trip. Any concern in any component will diminish the traveller’s confidence in the safety of their journey. Accordingly, it is imperative that each participant deliver service flawlessly on a consistent basis in order to restore confidence in the safety of air travel. The GTAA is undertaking various measures, including significant advocacy at several levels, with industry participants, to reinforce the message of consistent delivery of safety in the integrated travel experience in order to re-establish traveller confidence.

- Effective July 30, 2020, the Minister of Transport issued mandatory measures requiring temperature screening of any person entering a restricted area within an air terminal building from a non-restricted area and of every person undergoing screening at a non-passenger screening checkpoint outside an air terminal building. Temperature screenings are conducted by Canadian Air Transport Security Authority ("CATSA") at passenger and non-passenger (employee) screening points.

c. *Testing, Research and Data Collection*

- The GTAA has worked with its partners and agencies to implement new processes, technology solutions and facility enhancements that will enable Toronto Pearson to come out of the pandemic delivering an even better Airport experience. New innovations include a variety of UV light applications for sanitization throughout the Airport; over three kilometers of plexiglas barriers installed throughout the Terminals; the introduction of personal protective equipment vending machines; and the use of probiotic spray to sanitize high-touch areas. The GTAA is committed to working with its airline partners to connect passengers safely once again across Canada and eventually, across the globe. To this end, Air Canada and the GTAA provided resources and support for a COVID-19 research study that was conducted at Toronto Pearson by McMaster HealthLabs. The study began on September 3, 2020 and ran until November 14, 2020 with the aim of gathering data to explore the effectiveness of various quarantine periods. The study was designed in accordance with research ethics board-approved scientific protocols. Interim results were released on November 17, 2020, based on more than 20,000 tests conducted on more than 8,600 study participants from September 3 to October 2, 2020. The interim results indicated:
    - 99 per cent of study participants tested negative for COVID-19 with 1 per cent testing positive;
    - Of the 1 per cent testing positive for COVID 19:
        - 0.7 per cent detected on arrival
        - 0.3 per cent detected on day 7
        - 0.1 per cent detected on day 14

  The pilot phase has demonstrated the feasibility of airport-based testing with self-collected nasal/oral swabs as well as home-based collection during quarantine. Final results are expected to be released in the near term.

- The provincial and federal governments have implemented varying degrees of border control and travel restrictions. The GTAA has cooperated with government to help ensure the safety of all passengers and workers. A number of initiatives and requirements have been introduced in early 2021 as summarized below due to the increasing COVID-19 cases in Ontario and the rest of Canada and due to new global variants of COVID-19 believed to be more contagious. As a result of the following initiatives and requirements, the GTAA has experienced a further reduction in passenger and flight volumes at the Airport since mid-February 2021. Refer to the "Operating Activity" section for further details on passenger and flight volumes. In light of these evolving travel restrictions, the GTAA continues to adapt its operations to provide passengers a safe and efficient travel experience:

    - On January 6, 2021, the Ontario government launched a voluntary pilot COVID-19 testing program at the Airport where travellers were tested upon arrival through a polymerase chain reaction ("PCR") test.

    - On January 6, 2021, the Canadian federal government issued *Interim Order Respecting Certain Requirements for Civil Aviation Due to COVID-19, No. 18* requiring all travellers coming to Canada by air to provide proof of a negative COVID-19 test taken within 72-hours of departure. All international travellers are still required to follow the federal government's 14-day mandatory quarantine, even if they receive a negative test result before departure. The restrictions were also expanded to land crossings between the U.S. and Canada starting February 15, 2021 including for Canadians returning home from their second residences in the U.S. With certain exceptions for essential travellers, people driving into Canada must provide proof of a negative COVID-19 PCR test taken in the U.S. within 72 hours and quarantine for 14 days. Canada has extended these travel restrictions to all travellers coming to Canada until April 21, 2021, and may be further extended, to limit travel to Canada.

- ◦ Effective January 26, 2021, travellers flying into the U.S. from international destinations, such as Canada, are required to show proof of a negative COVID-19 test taken 72 hours before boarding their flight.

- ◦ On January 29, 2021, the federal government and Canadian airlines agreed to suspend all flights to and from Mexico and Caribbean countries until April 30, 2021. These measures came into effect as of January 31, 2021.

- ◦ Between February 1 and 21, 2021, the Ontario government ordered nearly all international passengers landing at the Airport and staying in Ontario to take a mandatory COVID-19 test at the Airport before following existing federal quarantine rules.

- ◦ Effective February 22, 2021, the federal government modified its quarantine rules by ordering all international passengers landing at the Airport (with certain exceptions) or connecting to other cities in Canada to take a mandatory COVID-19 test at the Airport and quarantine in a designated hotel at their own expense while they await results. Those with negative test results must quarantine for the remaining two weeks in a hotel or at home, while those with positive test results must quarantine in designated government facilities. Passengers are able to take their connecting flights within Canada once negative test results are received. International travellers that are connecting to destinations outside of Canada are exempt from the order provided they stay on the secure side of the terminals. As of February 22, 2021, travellers arriving at the Canada/U.S. land border points were also required to take COVID-19 tests upon arrival.

- ◦ On March 8, 2021, the GTAA, with a financial contribution from the Government of Canada, initiated a COVID-19 Antigen test study. There are currently 285 Airport workers who have volunteered to be tested three times per week for a period of 8-12 weeks.

- ◦ Effective March 16, 2021, departing passengers to the U.S. were eligible to be tested at the Airport as part of the testing study using Antigen COVID-19 tests. Negative results from such tests may be relied on for travel to the U.S.

- ◦ The Canadian federal government has indicated that free vaccines will be available to everyone who lives in Canada over the course of 2021. Until extensive immunization is achieved, public health measures will continue to be essential to minimize the spread of COVID-19 in Canada. Government vaccine rollout and containment of new variants are among factors likely to influence public sentiment towards air travel.

d. Government Financial Support:

- The Government of Canada waived Ground Lease rent from March 2020 to December 2020 for Canadian Airport Authorities that pay rent to the federal government. This reduced Ground Lease rent costs by approximately $73 million in 2020. The Government of Canada also announced that it will defer Ground Lease rent payments in respect of 2021, with such payments to be made over a ten-year period commencing in 2024.

- The GTAA has received payments from the Canada Revenue Agency under the Canada Emergency Wage Subsidy ("CEWS") program. The Canadian government has extended the CEWS program until June 2021. The total amount claimed under the program in 2020 was $48.8 million; $46.4 million of which was recorded on the consolidated statements of operations and comprehensive (loss) income and $2.4 million was recorded against assets under construction in property and equipment on the consolidated statements of financial position.

- The GTAA and the Canadian Airports Council continue to engage actively with governments at all levels to discuss the GTAA's Healthy Airport commitment and the innovative steps the organization has taken to protect public health and the health and well-being of its workforce and travellers. Additionally, the GTAA is engaging with government to discuss financial support given the essential economic role that Toronto Pearson plays in

Canada's economy, supply chain, trade and employment and in vaccine delivery and logistics. The GTAA is also seeking the following further short-term assistance from government:

- **2021 and 2022 relief from Ground Lease rent payments:** The Airport Ground Lease rent relief for 2020 and deferral for 2021 has assisted the GTAA to weather the financial impacts of COVID-19. However, the GTAA believes the COVID-19 impact will go beyond 2021 and that airports require further support. The Canadian aviation industry is at risk of becoming much less competitive vis-à-vis airports in Europe and the U.S. where significant government grants and other aid has been provided to their airports. As a result, the GTAA is seeking further relief from Airport Ground Lease rent for 2021 and 2022.

- **Regulatory flexibility and funding:** The GTAA and other Canadian airports are seeking flexibility to adjust tight implementation deadlines and dedicated federal funding to help airports meet pending regulatory requirements.

- **Capital stimulus:** The GTAA is seeking government support for infrastructure projects and investment in transit projects, low-touch technologies and projects that support the Healthy Airport commitment, and other investments to ensure the long-term competitiveness of Canada's aviation infrastructure.

e. *Management's Financial Assessment:*

- As a result of COVID-19 and changing travel restrictions in place around the world, there is very limited accurate visibility on the future of travel demand, which is now severely inhibited. Passenger and flight activity may not return to pre-COVID-19 levels for at least three to five years according to certain industry participants. Management continues to analyze the extent of the financial impact of COVID-19, which is and continues to be material. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the GTAA believes that the pandemic will not have a material impact on the long-term financial sustainability of the Airport.

- The COVID-19 pandemic is placing downward pressures on the GTAA's liquidity. Though the GTAA has experienced a material cash outflow in 2020 due to lower passenger volume, 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 and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due. However, the pandemic may also impact the cost of capital and ability to access the capital markets in the future which may arise from disrupted credit markets, and possible credit ratings watch or downgrade of the GTAA's debt.

Given the rapidly evolving circumstances surrounding the COVID-19 pandemic and resulting economic contraction, there is inherently more uncertainty associated with the GTAA's business. Refer to "Risk Factors" of the Corporation's most recent Annual Information Form for risk disclosure regarding the impact of COVID-19 on the GTAA's business. In light of the dynamic operating environment, Management will continue to assess advanced strategies to ensure both safety and sustainability of the organization.

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

Passenger traffic at the Airport decreased in 2020 by 73.6 per cent, from 50.5 million passengers in 2019 to 13.3 million passengers in 2020, representing an annual decline of 37.2 million passengers.

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 2020, the worst decline was in the international sector, followed by the domestic sector, recording decreases in passenger traffic of 75.8 per cent and 69.8 per cent, respectively, when compared to 2019.

The following table summarizes passenger activity by sector for 2020, 2019 and 2018:

Passenger Activity [2] *(in millions)*	**2020**	2019	**Change** [1]	**%**	**2018**
Domestic	**5.5**	18.1	(12.6)	(69.8)	17.8
International	**7.8**	32.4	(24.6)	(75.8)	31.7
Total	**13.3**	50.5	(37.2)	(73.6)	49.5
(in millions)					
Origin and destination	**9.3**	35.2	(25.9)	(73.5)	35.0
Connecting	**4.0**	15.3	(11.3)	(73.9)	14.5
Total	**13.3**	50.5	(37.2)	(73.6)	49.5
Origin and destination	**70.0 %**	69.6 %		0.4 pp	70.8 %
Connecting	**30.0 %**	30.4 %		(0.4)pp	29.2 %
Total	**100.0 %**	100.0 %			100.0 %

1 "% Change" is based on detailed actual numbers (not rounded as presented).
2 Based on Airline reporting, passenger estimates may vary from actual numbers.

Toronto Pearson's passenger activity since mid-March 2020 has been directly and materially impacted by COVID-19, when compared to 2019.

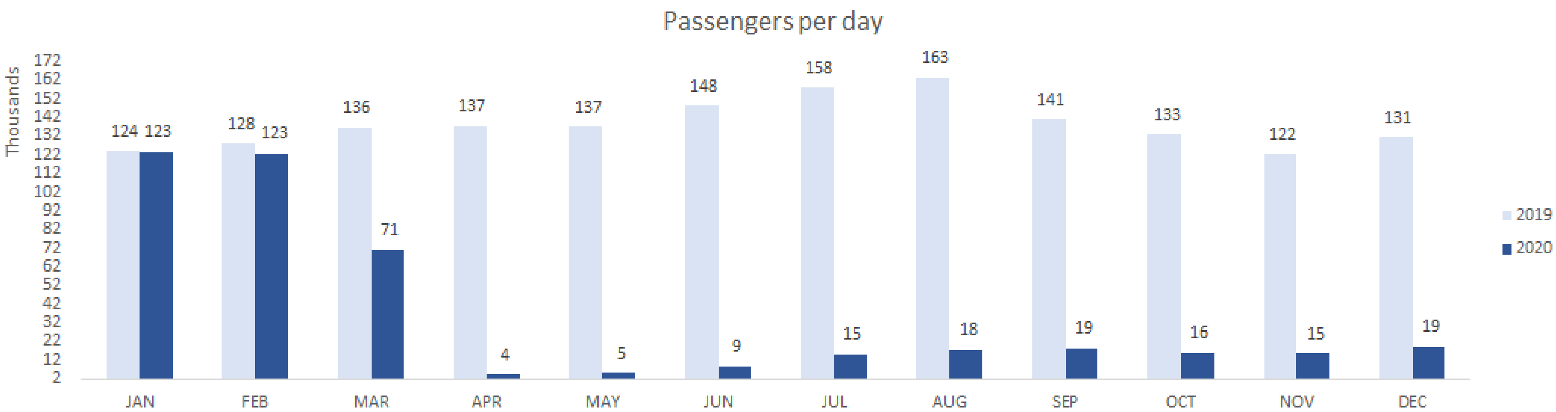
In the period from March 2020 to December 2020, passenger volumes at Toronto Pearson dropped significantly from an average of 141,000 per day to an average of 13,000 per day, as compared to the average for March 2019 to December 2019. The number of flights dropped as well, from an average of 1,191 per day to approximately 253 per day, as compared to the average for March 2019 to December 2019. As at December 31, 2020, airlines operating at Toronto Pearson dropped from 67 to 45, as compared to December 31, 2019.

During the fourth quarter of 2020, passenger volumes at Toronto Pearson dropped significantly from an average of 129,000 per day to an average of 17,000 per day, as compared to the same period in 2019. The number of flights dropped as well, from an average of 1,117 per day to approximately 288 per day; as compared to the same period in 2019.

In January 2021, passenger volumes dropped from an average of 123,400 per day to 16,200 per day and flights per day dropped from 1,052 per day to 235 per day, compared to the same period of 2020.

In February 2021, passenger volumes dropped from an average of 123,000 day to 10,000 per day and flights per day dropped from 1,036 per day to 167 per day, compared to the same period of 2020.

The following table outlines the monthly average number of passengers that travelled through Toronto Pearson daily during 2020, as compared to the same periods of 2019.



COVID-19 has resulted in global reductions in passenger air travel and extensive flight and route changes. The reductions are the result of the following. Refer to COVID-19 in the "Overview" section above for further details.

- travel restrictions that limit travel to essential travel only and require all international arriving travellers to quarantine for 14 days;
- rules in place by other countries that restrict travel from Canada;
- air carrier route changes and cancellations;
- air carrier ad hoc changes in flight schedules;
- focus on cargo flights to maintain the supply chain;
- focus on repatriation flights of Canadian citizens and permanent residents and restrictions on non-essential travel;
- official global travel advisory published by the Government of Canada to “avoid all non-essential travel outside Canada until further notice”;
- variants of COVID-19, believed to be more contagious, being detected in late 2020 that have resulted in the temporary closing of Canadian borders to passengers;
- beginning in early January 2021, the requirement of new negative COVID-19 test results for all international arrivals to Canada and to the US (including from Canada);
- beginning in early February 2021, Ontario mandatory international passenger arrivals' testing at the Airport for travellers remaining in Ontario; and
- beginning in late February 2021, federal mandatory international passenger arrivals' testing at the Airport once landed with strict restrictions such as a three-day hotel stay at the passengers' expense and possible further quarantine at a government facility if they test positive for COVID-19.

Due to the significant reduction in passenger demand, Canadian air carriers that operate at Toronto Pearson commenced grounding some of their fleet in late March and early April 2020. Domestic air carriers further suspended a few of their domestic routes in response to low air travel volumes. Some other carriers returned to operations but at greatly reduced frequencies commencing in October 2020.

There are 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, reflecting the economic health of a region, while a connecting passenger changes aircraft at that same airport en route to a final destination, symbolizing the strength of a hub. During 2020, origin and destination passengers decreased 73.5 per cent to 9.3 million passengers and connecting passengers decreased 73.9 per cent to 4.0 million passengers, when compared to 2019. During 2020, the percentage of origin and destination passengers versus connecting passengers was 70.0 per cent and 30.0 per cent, respectively, compared to 69.6 per cent and 30.4 per cent in 2019.

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 2020, 2019 and 2018.

Flight Activity [1]	**2020**	2019	**Change** [2]	**%**	2018
(in thousands)					
Aircraft movements [3]	**174.4**	452.8	(278.4)	(61.5)	472.7
Passenger aircraft movements	**149.1**	414.9	(265.8)	(64.1)	435.3
(in millions)					
MTOW (tonnes)	**16.0**	38.4	(22.4)	(58.3)	37.4
Seats	**21.9**	60.0	(38.1)	(63.4)	59.3
Seats per passenger aircraft movement	**147.1**	144.5	2.6	1.8	136.3
Load factor	**60.7 %**	84.3 %		(23.6)pp	83.4 %

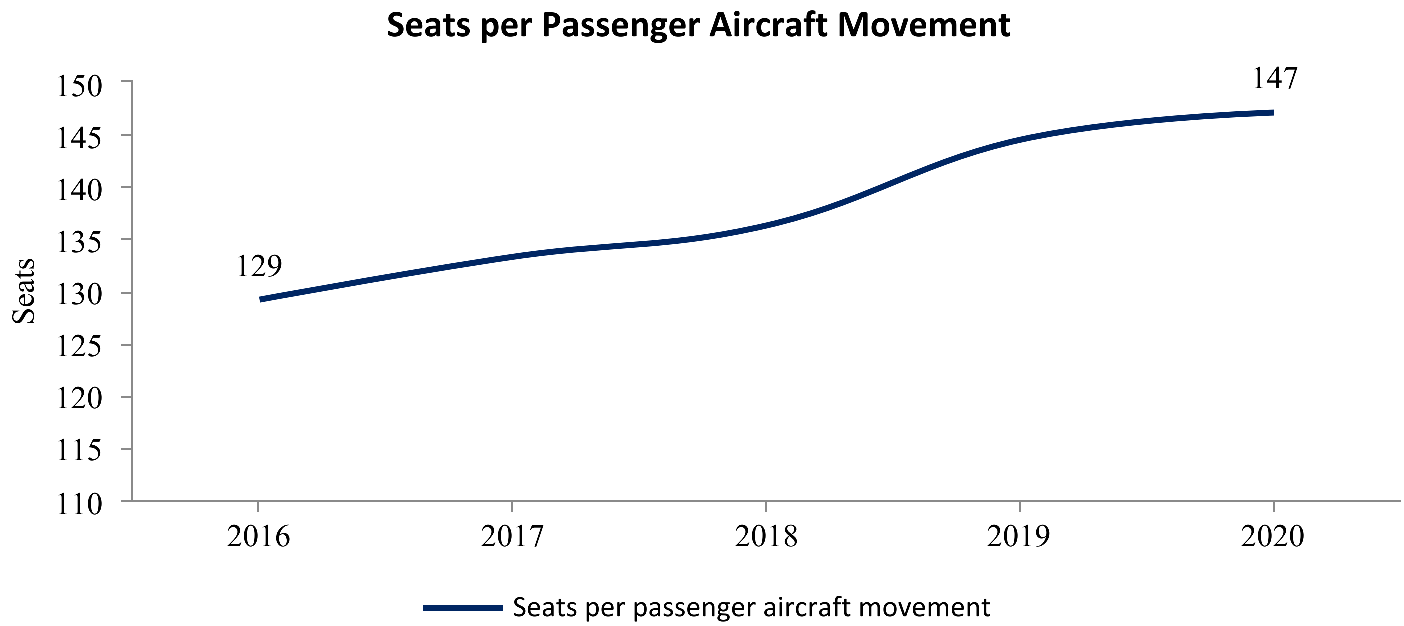
1 Flight activity measures above reflect both arriving and departing.
2 "% Change" is based on detailed actual numbers (not rounded as presented).
3 Aircraft movements include both passenger and non-passenger aircraft movements.

Passenger aircraft movements declined 64.1 per cent in 2020 as compared to 2019 due to the air travel restrictions and aircraft groundings that resulted from the COVID-19 pandemic. Aircraft movements, which include both passenger and non-passenger movements, decreased 61.5 per cent in 2020 as compared to 2019.

During 2020, MTOW was 16.0 million tonnes, a decrease of 58.3 per cent as compared to 2019. This change reflects the continued impact of the COVID-19 pandemic.

Seats decreased during 2020 by 63.4 per cent to 21.9 million as compared to 60.0 million seats in 2019. The number of seats per passenger aircraft movement during 2020 was 147.1, an increase of 2.6 seats or 1.8 per cent when compared to 144.5 seats per passenger aircraft movement from 2019 due to larger aircraft utilized. Load factors decreased 23.6 percentage points from 84.3 per cent in 2019 to 60.7 per cent in 2020.

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



On October 25, 2020, Toronto Pearson welcomed a new airline partner, Swoop, to the Airport.

On December 18, 2020, Toronto Pearson welcomed another new Canadian carrier, OWG, to the Airport.

On January 27, 2021, Air Transat suspended all flights out of Toronto Pearson for the winter season through to April 30, 2021 as the travel and tour company continues to face diminished demand due to COVID-19. Air Transat reported in their press release that continued travel restrictions and the numerous measures imposed, including the requirement to present a negative COVID-19 test and to quarantine upon return to Canada, have had a significant impact on Air Transat's bookings.

On January 29, 2021, the federal government and Canadian airlines agreed to suspend all flights to and from Mexico and Caribbean countries until April 30, 2021. These measures came into effect as of January 31, 2021. Refer to the "Overview" section for further details.

Toronto Pearson continues to work to ensure safe operations and to support the national economy through cargo operations. Additionally, passenger airlines have converted some of their aircraft for cargo-only purposes to move cargo across Canada and around the world. Toronto Pearson is dedicated to working with all carriers to keep the flow of goods moving in support of the Canadian economy, including critical goods such as vaccines needed to fight COVID-19.

For the most current operating activity statistics, please consult the GTAA's website at www.torontopearson.com.

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).

Declines in passenger and flight activity are having a material negative impact on the GTAA's business and results of operations, including aeronautical and commercial revenues and AIF. Similar to other Canadian airports, the GTAA has taken immediate steps to address the financial impacts, including the reduction of 2020 operating costs and planned capital spending. In addition, the GTAA has temporarily closed operating access to over 40 per cent of its terminal facilities given the reduced travel activity.

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 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.

On September 30, 2020, the GTAA announced the following changes to aeronautical rates and the AIF, effective January 1, 2021:

- Aeronautical rates for commercial aviation increased by 3 per cent.
- The AIF for departing passengers increased by $5 to $30, in line with the average of other major city Canadian airports.
- The AIF for connecting passengers increased by $2 to $6.
- Aeronautical rates for all business and general aviation aircraft 19,000 kilograms or less increased to $575 per arrival movement.

These changes to aeronautical rates and the AIF follow more than a decade during which there were no increases to commercial aeronautical rates or the AIF at Toronto Pearson. In addition to other revenue-generating and cost-cutting initiatives, these increases will contribute to the GTAA's ability to make continued investments in healthy air travel and industry recovery.

The pandemic has also 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 current and projected flight activity. Under the amended agreements, for the remainder of 2020 and the entirety of 2021, each carrier will 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. In 2022 and 2023, each of the carriers will pay 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 growth thresholds are exceeded in a given year. While considerable uncertainty remains over the near-term demand for air travel, the amended agreements are expected to result in reduced overall aeronautical revenues to the GTAA over their remaining terms.

Aviation Industry Operational Recognition

The GTAA was recognized by the Airports Council International for exceptional passenger service and environmental sustainability practices:

- On March 1, 2021, Toronto Pearson was awarded "Best hygiene measures by region" in North America. New this year as a result of the COVID-19 pandemic is a survey category on airport hygiene. The GTAA was also awarded for the fourth year in a row "Best Large Airport in North America serving more than 40 million passengers".

- In August 2020, Toronto Pearson received an Environmental Achievement Award from Airports Council International recognizing its 60 per cent reduction in greenhouse gas emissions.

- The GTAA was awarded the 2020 Environmental Achievement Award in the Environmental Management Category from Airport Council International-North America (ACI-NA) for its 20/2020 sustainability strategy, which was developed in 2009 with the goal of reducing greenhouse gas (GHG) emissions by 20 per cent (from 2006 levels) by 2020.

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 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.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. The GTAA has provided financial accommodation and other assistance through a number of programs including payment abatements, deferrals and contract relief through proposed and amended contracts. The GTAA has taken a measured approach so as to offer these arrangements to partners that are in good standing and that the GTAA believes will be critical partners post COVID-19. These accommodations have, and will continue to have, over the period covered by the accommodation, an adverse impact on the GTAA's business and related cash flows. The majority of deferred payments have been paid in late 2020, while the remaining deferrals are expected to be paid in 2021. The GTAA is working with affected parties to review their situations and may consider payment deferrals and/or adjustments as appropriate.

The following table summarizes the GTAA's consolidated revenues for the years ended December 31, 2020, 2019 and 2018.

Revenues	**2020**	**2019**	**Change**[1]		2018
($ millions)			**$**	**%**	
Landing fees	**248.0**	324.0	(76.0)	(23.5)	318.5
General terminal charges	**137.6**	193.7	(56.1)	(28.9)	191.3
Aeronautical Revenues	**385.6**	517.7	(132.1)	(25.5)	509.8
Concessions and rentals	**212.2**	315.2	(103.0)	(32.7)	277.5
Car parking and ground transportation	**79.6**	203.3	(123.7)	(60.9)	191.8
Other	**17.6**	37.0	(19.4)	(52.5)	32.6
Commercial Revenues	**309.4**	555.5	(246.1)	(44.3)	501.9
Airport Improvement Fees	**128.5**	448.1	(319.6)	(71.3)	460.0
Total Revenues	**823.5**	1,521.3	(697.8)	(45.9)	1,471.7

1 "% Change" is based on detailed actual numbers (not rounded as presented).

Aeronautical revenues decreased 25.5 per cent to $385.6 million during 2020, when compared to 2019, due to decreases in MTOW and arriving seats caused by the impacts of COVID-19. This impact was partially offset by the provisions in the long-term commercial agreements in place with the two main hub air carriers.

Consolidated concession and rental revenues decreased by 32.7 per cent to $212.2 million during 2020 when compared to 2019. This decrease was mainly due to the significant reduction in passenger activity impacting retail operating performance. Payment deferrals and contract relief resulted in reduced minimum annual guarantees ("MAG") from certain commercial clients. In 2020, the GTAA's revenues from its retail tenants, advertising and sponsorship partners (concession revenues) at the Airport decreased 43.7 per cent to $94.0 million from $167.0 million in 2019. Rental revenues decreased 20.3 per cent to $118.2 million in 2020 from $148.2 million in 2019. Excluding ACI revenues, rental revenues decreased by 25.8 per cent to $87.2 million during 2020 when compared to 2019.

During the 12-month period prior to the end of December 31, 2020, retail store sales per enplaned passenger at Toronto Pearson were $21.49 versus $22.01 in 2019, a $0.52 or 2.4 per cent decrease. Retail store sales are the gross sales generated by the GTAA's retail tenants. These tenants, under their leasehold agreements with the GTAA, pay a percentage of gross sales to the GTAA as rent. Retail stores include retail, restaurant and beverage establishments.

Due to the COVID-19 pandemic and resultant reduction in global air travel and terminal activity, the commercial businesses operating at the Terminals have experienced material impacts to their operations since March 2020. During 2020, food and beverage business performance was down approximately 73 per cent and retail operations (excluding food and beverage) were also down approximately 75 per cent, as compared to the same period of 2019. For those businesses remaining open, self-serve stations have been eliminated, all quick-serve seating has been removed with only take-out available and most in-line sit down restaurants have closed temporarily.

Car parking and ground transportation revenues decreased 60.9 per cent to $79.6 million during 2020 when compared to 2019. The reduction in passenger volumes at the Airport, due to the impacts from the COVID-19 pandemic, contributed towards this decline. Parking volumes have decreased approximately 76 per cent during 2020 compared to 2019 in line with the reduction in passenger volumes as a result of COVID-19.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, decreased 52.5 per cent to $17.6 million during 2020, when compared to 2019. Deicing revenues have decreased 51.9 per cent or $16.2 million during 2020 to $15.0 million, compared to 2019, due to the impacts of COVID-19 partially offset by higher deicing costs in 2020 which are passed through to the customer.

AIF revenue decreased 71.3 per cent to $128.5 million during 2020 compared to 2019. The decrease was due to the reduction in passenger volumes at the Airport due to the impacts from the COVID-19 pandemic.

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, 2020, 2019 and 2018.

Expenses	**2020**	2019	**Change** [1]		2018
($ millions)			**$**	**%**	
Ground rent	**15.6**	170.8	(155.2)	(90.9)	165.2
PILT [2]	**40.3**	38.4	1.9	5.0	36.6
Total ground rent and PILT	**55.9**	209.2	(153.3)	(73.3)	201.8
Goods and services	**315.3**	384.9	(69.6)	(18.1)	357.4
Salaries, wages and benefits	**173.5**	201.3	(27.8)	(13.8)	191.9
Total Operating Expenses before Amortization	**544.7**	795.4	(250.7)	(31.5)	751.1
Amortization of property and equipment, investment property and intangible assets	**347.8**	290.8	57.0	19.6	277.0
Total Operating Expenses	**892.5**	1,086.2	(193.7)	(17.8)	1,028.1
Interest expense on debt instruments and other financing costs, net of interest income	**314.4**	295.3	19.1	6.5	298.5
Early retirement of debt charge	**—**	—	—	—	28.7
Loss on cash flow hedge	**—**	—	—	—	2.7
Total Expenses	**1,206.9**	1,381.5	(174.6)	(12.6)	1,358.0

1 "% Change" is based on detailed actual numbers (not rounded as presented).
2 Payments-in-lieu of real property taxes.

Ground rent payments to the federal government are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at a rate of 12 per cent of Airport Revenues in excess of $250 million. Ground rent expense decreased by 90.9 per cent to $15.6 million during 2020, when compared to 2019. On March 30, 2020, the Government of Canada announced that it would waive ground rent from March 2020 through to December 2020 for Canadian Airport Authorities that pay rent to the federal government. Based on the draft Ground Lease amendment, ground rent expense for 2020 represents 2/12th of the annual ground rent due by the GTAA calculated in accordance with the Ground Lease. On December 30, 2020, the Government of Canada announced that it would defer the ground rent for the 2021 lease year, with repayment over a 10-year period beginning in 2024.

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 from two years prior and is subject to a maximum annual increase of five per cent under the *Assessment Act*. The PILT expenditure increased 5.0 per cent to $40.3 million during 2020, when compared to 2019. 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 decreased 18.1 per cent or $69.6 million to $315.3 million during 2020, when compared to 2019. The GTAA incurred lower expenditures due to measures that the GTAA implemented since March 2020 as a result of the impacts from COVID-19, including a reduction in costs related to passenger and baggage flow, temporarily closing operating access to over 40 per cent of its terminal facilities and reductions in various contract service levels and discretionary costs. There was also a reduction in AIF administration fees due to the lower passenger volumes and lower snow removal costs as a result of milder winter weather conditions in 2020. These decreases were partially offset by increases in allowance for bad debt, information technology costs, asset write-offs and Healthy Airport initiatives.

Salaries, wages and benefits decreased 13.8 per cent or $27.8 million to $173.5 million during 2020, when compared to 2019. The decrease was due to the relief from the federal government's wage subsidy through the CEWS program which amounted to $46.4 million, the hiring freeze in place since March 2020 and a decrease in seasonal workers due to the impacts of COVID-19. The savings were partially offset by the severances incurred due to the workforce reduction undertaken in 2020.

Amortization of property and equipment, investment property and intangible assets increased 19.6 per cent to $347.8 million during 2020, when compared to 2019. This increase was mainly due to a change in the estimated useful life of certain terminal assets which resulted in an increase in amortization.

Part of the GTAA's operating expenses include goods and services, salaries and amortization that support the activities provided by government agencies at the Airport. The GTAA's operating costs to support government agencies during 2020 of $38.5 million decreased $9.0 million or 18.9 per cent, when compared to 2019. These included direct and indirect investments to CATSA, U.S. Customs and Border Protection ("USCBP") and Canada Border Services Agency ("CBSA") to enhance the security and border services they provide. Although these costs in support of government agencies at the Airport have reduced significantly due to lower passenger volumes, the GTAA continues to maintain the same level of service standards.

Interest expense and other financing costs, net of interest income, increased by 6.5 per cent to $314.4 million during 2020, when compared to 2019. The increase was due to higher fixed-rate interest costs from the issuance of Series 2019-1 and 2019-2 MTNs during April and October 2019, respectively, incremental short-term borrowings since March 2020 due to the COVID-19 impacts on operations, and $8.5 million of costs related to obtaining the MTI amendment in July 2020.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the years ended December 31, 2020, 2019 and 2018.

Net Operating Results	**2020**	**2019**	**Change [1]**		2018
($ millions)			**$**	**%**	
Net (Loss) Income	**(383.4)**	139.8	(523.2)	(374.2)	113.7
Add: Early retirement of debt charge	**—**	—	—	—	28.7
Loss on cash flow hedge	**—**	—	—	—	2.7
Less: Unamortized bond premium	**—**	—	—	—	(5.3)
Adjusted Net (Loss) Income	**(383.4)**	139.8	(523.2)	(374.2)	139.8
Add: Interest and financing costs, net	**314.4**	295.3	19.1	6.5	298.5
Unamortized bond premium	**—**	—	—	—	5.3
(Loss) Earnings Before Interest, net	**(69.0)**	435.1	(504.1)	(115.9)	443.6
Add: Amortization [2]	**347.8**	290.8	57.0	19.6	277.0
EBITDA [3]	**278.8**	725.9	(447.1)	(61.6)	720.6
EBITDA Margin	**33.9 %**	47.7 %		(13.8)pp	49.0 %

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

During 2020, the GTAA incurred a net loss of $383.4 million, a decrease of 374.2 per cent or $523.2 million compared to the net income in 2019. The decrease in net income was due to the impacts from COVID-19 resulting in a material reduction in revenues of $697.8 million, an increase in severances from the workforce reduction and costs related to obtaining the MTI amendment. These items were partially offset by the cost savings from the waiver of the Ground Lease rents granted by the federal government for March to December 2020, the CEWS program, and measures taken by the GTAA to lower costs such as the hiring freeze, reduction of operating expenses and temporarily closing operating access to over 40 per cent of its terminal facilities.

Earnings before interest and financing costs and amortization ("EBITDA") decreased 61.6 per cent to $278.8 million during 2020, when compared to 2019. The EBITDA margin decreased by 13.8 percentage points to 33.9 per cent during 2020, when compared to 2019. The decrease in EBITDA and EBITDA margins were due to material revenue reductions and increased severances caused by the impacts of COVID-19 offset by the cost savings mentioned above and the significant portion of fixed 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 quarters ended March 31, 2019 through December 31, 2020, is set out in the following table.

	Quarter Ended							
	2020				**2019**			
($ millions) [1]	**Dec**	**Sep**	**Jun**	**Mar**	**Dec**	**Sep**	**Jun**	**Mar**
Revenues	151	148	186	339	385	403	371	362
Operating expenses (excluding amortization) [2]	94	145	121	184	210	189	188	207
Amortization [2]	96	93	84	74	74	73	73	71
(Loss) Earnings before interest and financing costs, net	(39)	(90)	(19)	81	101	141	110	84
Interest and financing costs, net	77	87	77	74	77	73	73	73
Net (loss) income	**(116)**	**(177)**	**(96)**	**7**	**24**	**68**	**37**	**11**

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 and rapidly evolving 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 significantly reduced its capital spending by over $265 million to $345 million of work performed in 2020.

In 2020, the GTAA funded capital investments primarily through proceeds from debt issuances or short-term borrowings. The GTAA may access the capital markets further, as required. The GTAA is also seeking government support for shovel-worthy infrastructure projects such as the Terminal 3 Automated Transfer Facility and investment in transit-oriented projects.

Due to the material impacts of COVID-19, a significant number of projects within the capital program have been reduced, deferred or postponed, and a review of the capital program in light of the COVID-19 pandemic is ongoing. Deferred and delayed capital projects will be brought back online based on future needs to better align the timing of capital projects with 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 – Over the next five years, the 2020–2024 Airside Pavement Restoration Program will restore an estimated 1.5 million square meters of airside surfaces. The program is based on current pavement condition surveys and predictive modelling. Rehabilitation of Runway 15L33R and associated taxiways was completed in 2020. In response to COVID-19, this project was reviewed and will continue as planned to comply with operational and regulatory requirements. From the inception of the Airside Pavement Restoration Program to December 31, 2020, the GTAA has expended $35.4 million. During 2020, the GTAA expended $35.4 million.

Terminal 1 Concourse F Sectorization – The Terminal 1 Concourse F Sectorization will increase passenger processing capacity, reduce connection times and increase gate capacity and flexibility for both narrow and wide body aircraft. The capacity increases will be achieved by expanding CATSA and CBSA facilities and flows for passengers on a third level, more direct connections to gates for passengers and re-sectorization of Terminal 1 to provide access to large aircraft for international gates and gate modifications to allow larger aircraft. In response to COVID-19, this project was reviewed and will continue as planned given the advanced stages of construction. From the inception of the Terminal 1 Concourse F Sectorization to December 31, 2020, the GTAA has expended $95.9 million. During 2020, the GTAA expended $53.3 million.

Baggage-Handling Improvements – The Baggage-Handling Improvements program is being undertaken in Terminal 1 and Terminal 3 to add baggage-handling capacity, and improve system reliability and dependability, to meet current as well as future anticipated baggage processing requirements. The current project commenced in the fourth quarter of 2018. The program includes several design-build work packages that are intended to enhance the way the Airport operates and to enhance the passenger experience. In response to COVID-19, three of the four projects within the first phase are planned to continue as scheduled given the advanced stage of construction. The final project within the first phase will have its scope reduced and full completion deferred to a future date. From the inception of the Baggage Handling Improvements to December 31, 2020, the GTAA has expended $194.5 million. During 2020, the GTAA expended $77.5 million.

Terminal 1 Pier G Expansion – The GTAA has been upgrading and expanding its capacity at the Pier G facility in Terminal 1 to accommodate narrow body aircraft operations. This project is intended to increase the planned narrow body aircraft parking positions to 11, further expand the associated apron, increase the retail services for passengers travelling to and from the U.S. and improve passenger flow and circulation.

The Pier G expansion plan also includes additional hold room space, provides more efficient and secure passenger flows, and improves the passenger experience by creating additional retail and lounge space, gate flexibility and a faster connection process by creating a full arrivals corridor and contact stands. In response to COVID-19, construction phasing and timing has been reviewed and, as a result, all elements of the program have been deferred. From the inception of the Pier G commuter facility upgrade and expansion to December 31, 2020, the GTAA has expended $131.3 million. During 2020, the GTAA expended $23.2 million.

Terminal 3 Redevelopment and Expansion ("T3REP") – The T3REP program is intended to renovate and upgrade the parts of the Terminal that were not part of the original Terminal 3 Improvement Projects. The preliminary planning and design of these projects commenced in late 2018 and will focus on projects to meet passenger growth. While the planning and design of the T3REP program is currently underway, in response to COVID-19, certain elements of the project have now been deferred to a future date. From the inception of the T3REP to December 31, 2020, the GTAA has expended $14.6 million. During 2020, the GTAA expended $5.2 million.

Terminal 1 Redevelopment and Expansion ("T1REP") Project One – The T1REP Project One consists of design and construction of the mezzanine area above the existing arrivals baggage hall and relocates the USCBP facilities and In-transit Pre-clearance ("ITPC") facilities for origin and destination and connecting passengers. The facility is expected to increase capacity by an estimated 30 per cent and simplify passenger flow. However, in response to COVID-19, this project has been deferred to a future date. From the inception of T1REP Project One to December 31, 2020, the GTAA has expended $40.4 million. During 2020, the GTAA expended $17.7 million.

Transit Planning and Development ("TPD") – The GTAA has been working closely with Metrolinx and other transit agencies on improved transit access to Toronto Pearson. These improvements include:

- Improvements to service and related infrastructure enhancements to the UP Express;
- Planned Eglinton Crosstown West expansion (Light Rail Transit – "LRT") to Toronto Pearson;
- Possible future connection of the Finch LRT to Toronto Pearson; and
- Bus service improvements.

The space and infrastructure required to enable improved transit access must be coordinated with the development plans of Toronto Pearson. From the inception of the TPD to December 31, 2020, the GTAA has expended $21.7 million. During 2020, the GTAA expended $6.7 million. Currently, all TPD related expenditures are expensed on the Consolidated Statement of Operations. Given the impacts from COVID-19, the state of the aviation industry and the uncertainty of travel demand, the GTAA has suspended any further expenditures on TPD, however, the Company continues to cooperate with the relevant transit agencies.

Terminal 3 Arrivals & Transfer Facility ("T3ATF") – The T3ATF will provide for improved connection time at Terminal 3 producing the equivalent processing time as Terminal 1 among arriving passengers who are completing their air travel in Toronto from those connecting through Pearson. A separate transfer facility for international and transborder passengers connecting to domestic or international destinations will expedite the connections process, relieve the passenger of the need to clear customs, collect their bag and then proceed back through the departures process for their connecting flight. The expanded facility, estimated to be an incremental 8,000 square metres, will provide more space for physical distancing and incorporates innovative and touchless processes for customs clearance and security. At this stage, concept design of the project is complete, however, the project has been suspended due to the impact of COVID-19. Management is seeking government support to restart the project.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2020, 2019 and 2018, are set out in the following table.

($ millions)	**2020**	2019	Change 2020 – 2019	2018
Total assets	**6,685.5**	6,583.4	102.1	6,437.6
Total liabilities	**7,288.2**	6,806.9	481.3	6,811.1
Deficit and accumulated other comprehensive loss	**(602.7)**	(223.5)	(379.2)	(373.5)

At December 31, 2020, when compared to December 31, 2019, the GTAA's total assets had increased by $102.1 million primarily due to a $72.9 million increase in cash, $55.5 million increase in intangibles and other assets and $26.6 million increase in ground rent receivable partially offset by a $78.4 million decrease in property and equipment as a result of the reduced capital program. The GTAA's total liabilities increased by $481.3 million primarily due to a $479.2 million increase in long-term borrowings and a $110.2 million increase in short-term borrowings, partially offset by reductions in accounts payable and accrued liabilities of $97.2 million, and reductions in security deposits claimed against receivables and other deferred revenue of $22.2 million. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of $602.7 million at December 31, 2020, as reported on the consolidated statements of financial position, has increased due to the impacts of COVID-19 on passenger and flight activities and the results from operations.

Restricted Funds *($ millions)*	**2020**	2019	Change 2020 - 2019	2018
Debt Service Fund	**68.8**	68.8	—	60.6
Debt Service Reserve Funds	**349.0**	347.4	1.6	328.1
Total MTI Restricted Funds	**417.8**	416.2	1.6	388.7

As shown in the table above, total restricted funds increased slightly from $416.2 million in 2019 to $417.8 million in 2020 due to the GTAA's issuance of the Series 2020-1 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. As the MTI amendment temporarily exempts the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI for 2020, no funds are currently required to be deposited into the Debt Service Coverage Fund to meet the debt service covenant. The Operating and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund are funded 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:

($ millions)	**2020**	2019	**Change**	2018
Cash flows from operating activities	**169.5**	729.1	(559.6)	730.6
Capital expenditures [1] - property and equipment	**(342.0)**	(421.9)	79.9	(319.4)
Capital expenditures [1] - investment property	**(13.6)**	(6.6)	(7.0)	(178.4)
Interest paid and other financing costs, net [2]	**(327.0)**	(300.8)	(26.2)	(314.0)
Early retirement of debt charge	—	—	—	(28.7)
Payment on termination of cash flow hedge	**—**	—	—	(14.7)
Free Cash Flow [3]	**(513.1)**	(0.2)	(512.9)	(124.6)
Increase in restricted funds	**(1.6)**	(27.5)	25.9	66.2
Borrowings (Repayments), net	**587.6**	35.4	552.2	68.7
Net Cash (Outflow)/Inflow	**72.9**	7.7	65.2	10.3

	At December 31			
	2020	2019	**Change**	2018
Total Debt	**7,002.8**	6,411.7	591.1	6,370.3
Cash	**103.2**	30.3	72.9	22.5
Restricted funds	**417.8**	416.2	1.6	388.7
Net Debt [4]	**6,481.8**	5,965.2	516.6	5,959.1

Key Credit Metrics *($)*				
Total Debt/Enplaned Passenger [5]	**1,052**	254	314.2 %	258
Net Debt [4]/Enplaned Passenger [5]	**974**	236	312.7 %	241

(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, 2020.

(2) Interest and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, therefore, 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".

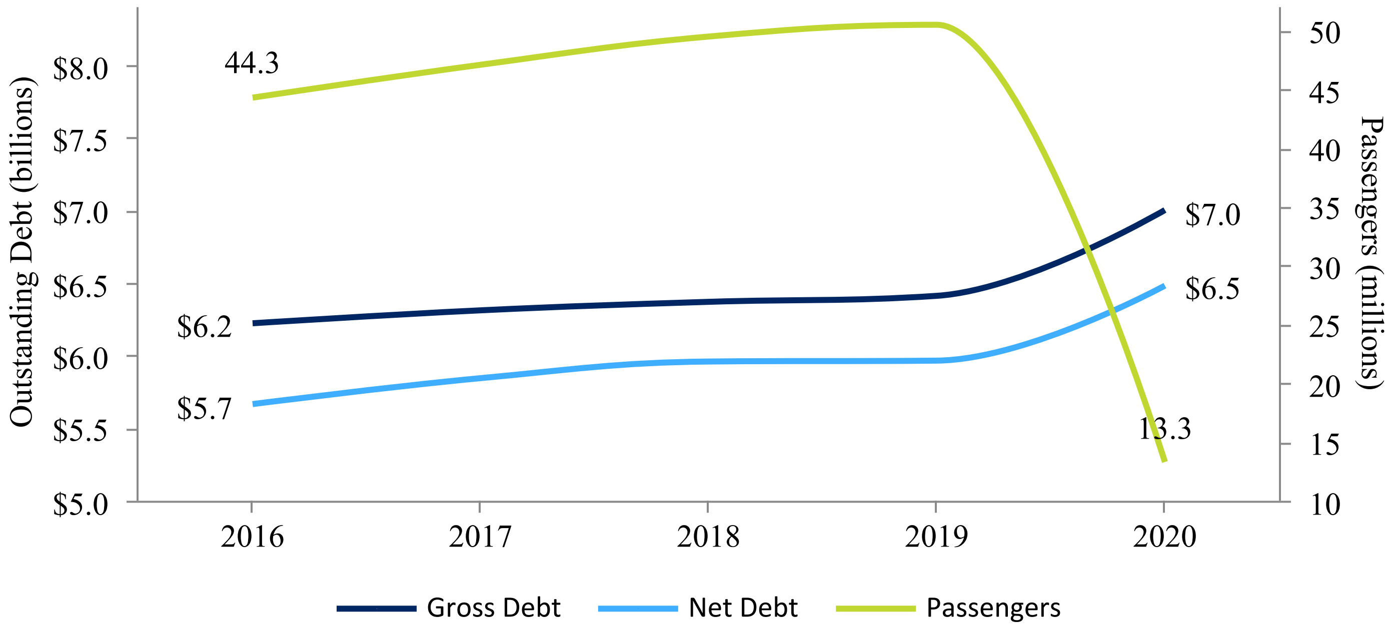
(4) The Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

(5) Enplaned passengers are defined as equal to half of total passengers and is based on the prior 12 months activity.

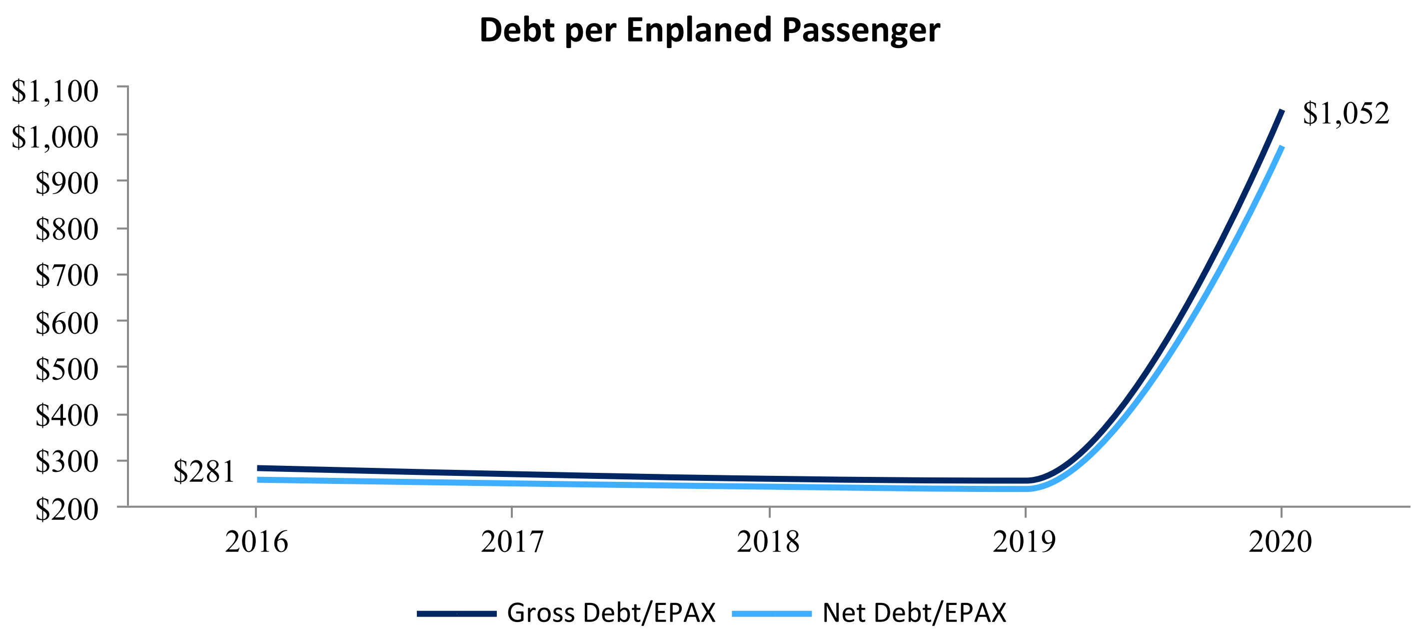
Cash flows from operations decreased by $559.6 million to $169.5 million during 2020, when compared to 2019, primarily due to material revenue reductions and severances partially offset by cost savings from the waiver of the Ground Lease rents, the CEWS program, and measures taken by the GTAA to lower costs such as the hiring freeze and temporarily closing operating access to over 40 per cent of its terminal facilities. The free cash flow deficit increased by $512.9 million during 2020, when compared to 2019, primarily driven by the material drop in cash flows from operations due to the reasons mentioned above, partially offset by lower capital expenditures in 2020. Free cash flow is a non-GAAP financial measure. Refer to section “Non-GAAP Financial Measures” for additional information. Net cash flows increased by $65.2 million to $72.9 million when compared to 2019 due to borrowings, net of repayments, of $587.6 million that offset the free cash flow deficit.

Gross Debt increased by $591.1 million to $7.0 billion as at December 31, 2020 when compared to December 31, 2019 due to borrowings, net of repayments, of $587.6 million. Net Debt increased by $516.6 million to $6.5 billion as at December 31, 2020 when compared to December 31, 2019. 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 $6.2 billion in 2016 to $7.0 billion in 2020 and an increase in net debt from $5.7 billion in 2016 to $6.5 billion in 2020, primarily due to the impacts of COVID-19.



The GTAA's total debt per enplaned passenger, one of the airport industry's key financial metrics, increased from $281 in 2016 to $1,052 in 2020, and net debt per enplaned passenger increased from $256 in 2016 to $974 in 2020. The GTAA's debt per enplaned passenger has been on a downward trajectory over the last several years, however, has increased significantly in 2020 due to higher debt and lower passenger volumes from the impacts of COVID-19 , as illustrated in the following chart. 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 will 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 that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The COVID-19 pandemic is placing downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit this that include extending the commitments available under its revolving credit facility to 2023 to provide additional flexibility in light of the continuing impact of the COVID-19 pandemic on the GTAA's revenues and operations, and reducing and deferring operational and capital expenditures. The GTAA's net liquidity position (including cash) as at December 31, 2020 was $1.4 billion. The GTAA has an internal financial risk policy that includes a statement that the GTAA will always maintain available liquidity of at least $200 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 million. The GTAA monitors its cash flow requirements and conducts consistent analysis of trends and expected fluctuations in the Company's liquidity and capital resources. Though the GTAA has experienced a material cash outflow in 2020 due to lower passenger volume, 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 and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. The GTAA has provided financial accommodation and other assistance through a number of programs including payment abatements, deferrals and contract relief through proposed and amended contracts. The GTAA has taken a measured approach so as to offer these arrangements to partners that are in good standing and that the GTAA believes will be critical partners post COVID-19. These accommodations have, and will continue to have, over the period covered by the accommodation, an adverse impact on the GTAA's business and related cash flows. The majority of deferred payments have been paid in late 2020, while the remaining deferrals are expected to be paid in 2021. Exposure to payment deferrals is mitigated in part by some security deposits in the form of cash and letters of credit, as well as active credit monitoring activities. There can be no assurance that deferred amounts will be collected in accordance with the terms of the deferral arrangements and there may be other events outside of the control of the GTAA that could also have a negative impact on its liquidity. Refer to the "Risk Factors" section of this MD&A.

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+" and "Aa3", respectively. On March 30, 2020, Moody's reaffirmed the GTAA's Aa3 rating and stable outlook and further reiterated the rating through their periodic review completed on October 16, 2020. On April 1, 2020, S&P reaffirmed the GTAA's credit rating of A+ but revised its outlook from stable to negative due to COVID-19 and related travel restrictions, which have triggered an unprecedented decline in air traffic. On January 28, 2021, S&P once again reaffirmed the GTAA's credit rating of A+ with a negative outlook.

The GTAA's Commercial Paper ("CP") obligations have been assigned a credit rating of "R-1 (low)" and an issuer rating of "A (high)" by DBRS. The DBRS rating was reaffirmed on July 20, 2020.

Ratings are intended to provide investors with an independent view 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 COVID-19 on the Company. See the "Risk Factors" section of this MD&A. The GTAA's Annual Information Form for the year ended December 31, 2020 contains more detailed information about the GTAA's credit ratings.

From March 1, 2020 until December 31, 2020, the GTAA drew $690.0 million of cash from short-term borrowings in light of the continuing impact of the COVID-19 pandemic on the GTAA's revenues and operations. The excess cash was invested in short-term highly liquid investment instruments in line with the GTAA's Investment Policy and the MTI. On November 3, 2020, the GTAA issued $500.0 million Series 2020-1 MTNs due May 3, 2028 at a coupon rate of 1.54 per cent for net proceeds of $497.8 million. The net proceeds partially paid down the outstanding CP. As at December 31, 2020, the GTAA had borrowing capacity under its Operating Credit Facility available for general corporate purposes of $1.2 billion, available capacity under its Letter of Credit Facility of $40.8 million and unrestricted cash of $103.2 million.

Liquidity and Credit Facilities *($ millions)*					**December 31, 2020**	**December 31, 2019**
Source	**Currency**	**Expiry**	**Size**	**Drawn / CP Backstop**	**Available**	**Available**
Cash and cash equivalents	CAD				**103.2**	**30.2**
Credit facilities:						
1) Operating Credit Facility [1,2]	CAD	May 22, 2023	1,400.0	—	**1,400.0**	**1,400.0**
Commercial paper backstop [2]				170.0	**(170.0)**	**(60.0)**
Available for general use					**1,230.0**	**1,340.0**
2) Letter of Credit Facility	CAD	May 22, 2021	150.0	109.2	**40.8**	**40.8**
			1,550.0	279.2	**1,270.8**	**1,380.8**
Total net liquidity (including cash)					**1,374.0**	**1,411.0**
3) Hedge Facility [3]	CAD	Per contract	150.0	—	**150.0**	**150.0**
Total credit facilities and cash			**1,700.0**	**279.2**	**1,524.0**	**1,561.0**

1 The Operating Credit Facility is a committed bank facility which is revolving in nature.
2 At December 31, 2020, $170.0 million of the Operating Credit Facility fully backstopped the $170.0 million of outstanding CP.
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 Operating Credit Facility and the Letter of Credit Facility can be extended annually for one additional year with lenders' consent. On July 31, 2020, the GTAA extended its committed revolving operating credit facility by an additional year to May 22, 2023. Concurrent with the extension, the credit facility syndicate also approved the exemption of the MTI Rate Covenant for fiscal years 2020 and 2021 as it relates to the credit facility agreements.

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, 2020, $170.0 million of CP was outstanding, no amounts were drawn from the Operating Credit Facility, $109.2 million of the $150.0 million Letter of Credit Facility was utilized, and no amounts were secured by the $150.0 million hedge facility.

As at December 31, 2020, the GTAA had a working capital deficiency of $192.8 million, as computed by subtracting current liabilities from current assets. This was primarily due to the $170.0 million of CP outstanding. 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. As at December 31, 2020, the GTAA's Operating Credit Facility had $1.2 billion available for general corporate purposes, which is the balance net of $170.0 million used as backstop against the outstanding CP issuances. 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, 2020 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 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 *($ millions)*	**Total**	**Less than 1 year**	**1 year to 3 years**	**4 years to 5 years**	**Thereafter**
			Payments Due by Period		
Accounts payable and accrued liabilities	193.0	193.0	—	—	—
Purchase obligations [1]	614.4	319.2	184.0	65.7	45.5
Commercial paper	170.0	170.0	—	—	—
Long-term debt principal	6,806.8	20.7	433.5	51.5	6,301.1
Interest payable on long-term debt	4,245.8	324.5	633.1	615.3	2,672.9
	12,030.0	**1,027.4**	**1,250.6**	**732.5**	**9,019.5**

[1] Purchase obligations include commitments for goods and services contracts as at December 31, 2020 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 $157.8 million.

Accounts payable, accrued liabilities and purchase obligations are expected to be funded through operations 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, 2020 of approximately $157.8 million, as compared to $297.7 million at December 31, 2019. The GTAA expects to fund these commitments primarily through proceeds from additional borrowings.

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 covenant 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 sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, on July 27, 2020, the GTAA successfully completed the amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant prescribed under the MTI, which is comprised of the two covenant tests, for fiscal years 2020 and 2021. The exemption was sought due to the negative impacts of COVID-19, the unknown duration of the material decline in passenger and flight activity, the risks to achieving covenant compliance and the consequential risks. In 2020, the GTAA's operating covenant ratio measured at 94.2 per cent compared to the minimum requirement of 100 per cent, and the debt service covenant ratio measured at 54.4 per cent compared to the minimum requirement of 125 per cent. However as noted above, the GTAA was exempt from complying with both of these covenant ratios under the MTI for fiscal years 2020 and 2021.

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 earnings before interest and financing costs and amortization, and 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"). 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 Note 3, respectively, of the Consolidated Financial Statements as at December 31, 2020 and 2019. 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 to standards effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

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 use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have an impact on the consolidated financial statements.

b) Amendments to IFRS 3, Business Combinations:

This standard was amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have an impact on the consolidated financial statements.

c) *Amendments to IFRS 16, Leases:*

This standard was amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendments are effective for periods beginning on or after June 1, 2020. The early adoption of these amendments did not have an 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.

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. These transactions are reflected in the Consolidated Financial Statements as at December 31, 2020 and 2019 under Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority, Note 13, Leases, for amounts due under the Ground Lease and Note 22, COVID-19 Impact, for information on the Canada Emergency Wage Subsidy program.

The GTAA's related parties also includes 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. At December 31, 2020, 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. In this respect, the GTAA had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as a 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.

As a result of the COVID-19 pandemic, reporting issuers must consider whether any COVID-19-related changes, such as the transition to remote working for employees, may impede the effectiveness of existing disclosure controls or internal controls over financial reporting. In response to these changes, Management conducted a review of key financial controls and have found that there has been no significant impact on the design and operating effectiveness of these controls as a result of the COVID-19 pandemic during the fiscal year. Management will continue to monitor and assess controls.

The Corporation's Audit Committee reviewed this MD&A and the audited consolidated financial statements, and the Corporation's Board of Directors 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, 2020, 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 Commissions ("COSO") in Internal Control - Integrated Framework (2013). Based on that evaluation, Management and the CEO and CFO have concluded that, as at December 31, 2020, 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, 2020 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" 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 COVID-19 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.

Given the rapidly evolving circumstances surrounding the COVID-19 pandemic and the resulting economic contraction, 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. There is very limited visibility on travel demand given changing government restrictions in Canada and around the world. These restrictions and concerns about travel due to the COVID-19 pandemic, including passengers' concerns, are severely inhibiting 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 conditions may improve.

Other material factors and assumptions include: the course of the COVID-19 virus and the emergence and spread of variants; availability of rapid, effective testing, vaccinations and effective treatments for the virus; government and passenger actions; the post-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 travelers; 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-2021; 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.

Consolidated Financial Statements of the Greater Toronto Airports Authority

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019;
- the consolidated statements of operations and comprehensive (loss) income 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 comprises the Management's Discussion and Analysis.

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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 identified above 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, 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 24, 2021

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 five 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

Ian Clarke
Chief Financial Officer

Greater Toronto Airports Authority
Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	2020	2019
Assets	$	$
Current assets		
Cash and cash equivalents	103,173	30,249
Restricted funds (Note 6)	68,760	68,827
Accounts receivable (Note 7)	93,131	86,741
Ground rent receivable (Note 8)	28,848	2,250
Inventory	14,471	12,416
Prepaids	6,444	6,379
	314,827	206,862
Non-current assets		
Restricted funds (Note 6)	349,073	347,374
Intangibles and other assets (Note 9)	151,069	95,570
Property and equipment (Note 10)	5,323,685	5,402,076
Investment property (Note 11)	482,572	473,328
Post-employment benefit asset (Note 14)	64,235	60,433
	6,685,461	6,585,643
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 19)	193,021	290,199
Security deposits and deferred revenue	62,606	84,792
Long-term debt and commercial paper (Note 12)	252,004	141,826
	507,631	516,817
Non-current liabilities		
Deferred credit (Note 9)	11,194	13,396
Post-employment benefit liabilities (Note 14)	12,200	9,096
Long-term debt and credit facilities (Note 12)	6,749,083	6,269,861
Other liabilities (Note 22)	8,090	—
	7,288,198	6,809,170
Deficit and Accumulated Other Comprehensive Loss	(602,737)	(223,527)
	6,685,461	6,585,643

Commitments and Contingent Liabilities (Note 16)

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

Signed on Behalf of the Board

Director

Signed on Behalf of the Board

Director

Greater Toronto Airports Authority
Consolidated Statements of Operations and Comprehensive (Loss) Income

(unaudited) (in thousands of Canadian dollars)	**2020**	2019
	$	$
Revenues (Note 18)		
Landing fees	**247,972**	323,944
General terminal charges	**137,661**	193,653
Airport improvement fees	**128,476**	448,082
Car parking and ground transportation	**79,566**	203,316
Concessions	**94,027**	167,001
Rentals	**118,175**	148,243
Other	**17,585**	37,017
	823,462	1,521,256
Operating Expenses		
Ground rent (Notes 1 and 13)	**15,597**	170,803
Goods and services (Note 20)	**315,340**	384,867
Salary, wages and benefits (Note 22)	**173,523**	201,275
Payments-in-lieu of real property taxes	**40,301**	38,382
Amortization of property and equipment (Note 10)	**324,912**	277,350
Amortization of intangibles (Note 9)	**11,588**	4,454
Amortization of investment property (Note 11)	**11,241**	9,017
	892,502	1,086,148
(Loss) Earnings before interest and financing costs, net	**(69,040)**	435,108
Interest income	**10,021**	11,858
Interest expense on debt instruments and other financing costs	**(324,401)**	(307,147)
Interest and financing costs, net (Note 12)	**(314,380)**	(295,289)
Net (Loss) Income	**(383,420)**	139,819
Items that may be reclassified subsequently to Net (Loss) Income:		
Amortization of terminated hedges and interest rate swap	**1,394**	4,030
Items that may not be reclassified subsequently to Net (Loss) Income:		
Pension and non-pension remeasurements, net (Note 14)	**2,816**	6,134
Other Comprehensive Income	**4,210**	10,164
Total Comprehensive (Loss) Income	**(379,210)**	149,983

Related party transactions (Note 15)

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

Greater Toronto Airports Authority
Consolidated Statements of Changes in Deficit and Accumulated Other Comprehensive Loss

Year Ended December 31, 2020 (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
	$	**$**	**$**
Balance, January 1, 2020	**(203,237)**	**(20,290)**	**(223,527)**
Net Loss	**(383,420)**	**—**	**(383,420)**
Amortization of terminated hedges and interest rate swap	**—**	**1,394**	**1,394**
Pension and non-pension remeasurements, net	**2,816**	**—**	**2,816**
Total Comprehensive (Loss) Income for the year	**(380,604)**	**1,394**	**(379,210)**
Balance, December 31, 2020	**(583,841)**	**(18,896)**	**(602,737)**

Year Ended December 31, 2019 (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Loss	Total
	$	$	$
Balance, January 1, 2019	(349,190)	(24,320)	(373,510)
Net Income	139,819	—	139,819
Amortization of terminated hedges and interest rate swap	—	4,030	4,030
Pension and non-pension remeasurements	6,134	—	6,134
Total Comprehensive Income for the year	145,953	4,030	149,983
Balance, December 31, 2019	(203,237)	(20,290)	(223,527)

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

Greater Toronto Airports Authority
Consolidated Statements of Cash Flows

Years Ended December 31 (in thousands of Canadian dollars)	2020	2019
Cash Flows from (used in) Operating Activities	$	$
Net (Loss) Income	(383,420)	139,819
Adjustments for:		
Amortization of property and equipment	324,912	277,350
Amortization of investment property	11,241	9,017
Amortization of intangibles and other assets	16,684	9,550
Net loss on disposal of property and equipment and intangible assets	106	490
Post-employment benefit plans	2,118	387
Interest and financing costs, net	314,380	295,289
Amortization of deferred credit	(2,202)	(2,202)
Changes in working capital and other:		
Accounts receivable	(6,390)	470
Prepaids	(65)	(1,392)
Ground rent receivable	(26,598)	(2,250)
Inventory	(2,055)	(1,201)
Accounts payable and accrued liabilities	(65,103)	3,855
Security deposits and deferred revenue	(22,186)	(43)
Other liabilities	8,090	—
	169,512	729,139
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	(341,995)	(421,864)
Acquisition and construction of investment property	(13,708)	(6,644)
Proceeds on disposal of property and equipment	186	116
Increase in restricted funds	(1,632)	(27,465)
	(357,149)	(455,857)
Cash Flows from (used in) Financing Activities		
Issuance of medium-term notes, net of issuance costs	497,043	1,389,965
Repayment of medium-term notes and long-term debt	(19,436)	(318,258)
Issuance (repayment) of commercial paper	109,970	(1,036,493)
Interest paid and other financing costs, net	(327,016)	(300,777)
	260,561	(265,563)
Net Cash Inflow	72,924	7,719
Cash and cash equivalents, beginning of year	30,249	22,530
Cash and cash equivalents, end of year	103,173	30,249

As at December 31, 2020, cash and cash equivalents consisted of cash of $12.2 million (December 31, 2019 – $31.0 million), cash equivalents of $91.1 million (December 31, 2019 – $nil) less outstanding cheques of $0.1 million (December 31, 2019 – $0.8 million).

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

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019
(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 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 risk 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, licenses 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 8, Ground Rent Receivable, for additional information regarding 2020 ground rent and Note 13, Leases.

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

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook for the Chartered Professional Accountants of Canada. These consolidated financial statements were approved by the Board of Directors on March 24, 2021.

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. However, the second operating segment does not meet the quantitative thresholds to be considered a reportable segment as defined by IFRS 8, Operating Segments.

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 (loss) income.

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 natural gas and parts and supplies held for use at the Airport. 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 at amortized cost: 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 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 plus, in the case of a financial asset not at FVPL, 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 is 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, 2020, 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 (loss) income over the term to maturity of the previously hedged item (see Note 17, Financial Instruments).

Impairment of Financial Assets

The GTAA recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. 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. 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 (loss) income (see Note 13, 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 (loss) income.

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 (loss) income 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 five to 40 years
Baggage handling systems	Straight-line over 18 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 (loss) income.

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 (loss) income 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 (loss) income 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*. The 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 remitted to the GTAA based on airlines self-assessing 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 licenses 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 aircrafts.

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 (loss) income in subsequent periods.

Past service costs are recognized in net (loss) income 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 are recognized in net (loss) income on a systematic basis over the periods in which the GTAA recognizes as expenses the related costs for which the grants are intended to compensate. See Note 22, COVID-19 Impact.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The GTAA has adopted the following amendments to standards effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

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 use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have an impact on the consolidated financial statements.

b) Amendments to IFRS 3, Business Combinations:

This standard was amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have an impact on the consolidated financial statements.

c) Amendments to IFRS 16, Leases:

This standard was amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendments are effective for periods beginning on or after June 1, 2020. The early adoption of these amendments did not have an 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 when an item of property and equipment, intangibles, other assets and investment property are available for use as intended by management as well as in determining amortization rates and useful lives of these assets and whether impairments are necessary.

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 14, 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, and which consist of the Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds. These funds are invested in cash or eligible short-term financial assets with less than one year to maturity as follows:

As at December 31	**2020**	2019
	$	$
Debt Service Fund		
Principal	**8,627**	8,121
Interest	**60,133**	60,706
	68,760	68,827
Debt Service Reserve Funds		
Revenue Bonds		
Series 1997-3 due December 3, 2027	**36,773**	36,912
Series 1999-1 due July 30, 2029	**40,057**	40,171
Medium-Term Notes		
Series 2000-1 due June 12, 2030	**38,742**	38,967
Series 2001-1 due June 4, 2031	**35,637**	35,821
Series 2002-3 due October 15, 2032	**38,215**	38,249
Series 2004-1 due February 2, 2034	**38,711**	38,869
Series 2010-1 due June 7, 2040	**22,839**	22,887
Series 2011-1 due February 25, 2041	**31,922**	32,114
Series 2011-2 due December 2, 2041	**18,326**	18,398
Series 2012-1 due September 21, 2022	**12,317**	12,376
Series 2018-1 due June 1, 2037	**8,296**	8,336
Series 2019-1 due April 3, 2029	**6,928**	6,949
Series 2019-2 due October 17, 2039	**12,395**	12,435
Series 2020-1 due May 3, 2028	**3,855**	—
Security for Bank Indebtedness		
Series 1997–C Pledged Bond	**4,060**	4,890
	349,073	347,374
	417,833	416,201
Less: Current portion	**(68,760)**	(68,827)
	349,073	347,374

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

	2020	2019
	$	$
Cash	**28,200**	28,027
Guaranteed Investment Certificates	**389,633**	388,174
	417,833	416,201

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 12, 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 interest and principal 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 2020, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2020 was $8.6 million (December 31, 2019 – $8.1 million). During 2020, principal of $19.4 million (December 31, 2019 – $18.3 million) was paid from the Principal Account of the Debt Service Fund, and $19.9 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999-1 and MTNs (December 31, 2019 – $18.8 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, 2020 was $60.1 million (December 31, 2019 – $60.7 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 12, Long-Term Debt, Commercial Paper and Credit Facilities).

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, 2020, this fund was secured by a letter of credit of $103.0 million (December 31, 2019 – $103.0 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, 2019 – $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	**2020**	2019
	$	$
Trade accounts receivable	**84,599**	78,418
Canada Emergency Wage Subsidy receivable (Note 22)	**16,619**	—
Other receivables	**10,808**	9,088
Less: Expected credit loss allowance	**(18,895)**	(765)
	93,131	86,741

Included in trade accounts receivable and other receivables is $3.3 million due from Canadian Air Transportation Security Authority (December 31, 2019 – $19.2 million) which is a related party for accounting purposes. No provision has been made against these receivables. See Note 15, Related Party Transactions.

8. GROUND RENT RECEIVABLE

Total ground rent receivable on the consolidated statements of financial position was $28.8 million as at December 31, 2020 (December 31, 2019 – $2.2 million).

On March 30, 2020, the Government of Canada announced that it would waive ground rent from March 2020 through to December 2020 for Canadian Airport Authorities that pay rent to the federal government. Based on the draft Ground Lease amendment, ground rent expense for 2020 represents 2/12th of the annual ground rent due by the GTAA calculated in accordance with the Ground Lease. As such, the GTAA has recognized a ground rent receivable in the amount of $14.4 million as at December 31, 2020 (December 31, 2019 – $2.2 million).

Also included in ground rent receivable was $14.4 million which represents the GTAA's March 2020 ground rent payment. This amount was subsequently reimbursed by Transport Canada on January 22, 2021.

On December 30, 2020, the Government of Canada announced that it would defer the ground rent for the 2021 lease year, with repayment over a 10-year period beginning in 2024.

9. INTANGIBLES AND OTHER ASSETS

	December 31, 2020		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Land acquisition costs	**50,763**	**(12,405)**	**38,358**
Computer software	**116,051**	**(23,820)**	**92,231**
Clean Energy Supply Contract	**44,655**	**(24,175)**	**20,480**
	211,469	**(60,400)**	**151,069**

	December 31, 2019		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land acquisition costs	50,763	(11,338)	39,425
Computer software	43,867	(12,232)	31,635
Clean Energy Supply Contract	44,655	(20,145)	24,510
	139,285	(43,715)	95,570

The aggregate amortization expense with respect to land acquisition costs for 2020 was $1.1 million (2019 – $1.1 million) and is included in ground rent expense in the consolidated statements of operations and comprehensive (loss) income.

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

	Land Acquisition Costs	Computer Software	Total
	$	$	$
Balance, January 1, 2020	**39,425**	**31,635**	**71,060**
Additions	**—**	**72,184**	**72,184**
Amortization expense	**(1,067)**	**(11,588)**	**(12,655)**
Balance, December 31, 2020	**38,358**	**92,231**	**130,589**
Balance, January 1, 2019	40,493	16,153	56,646
Additions	—	19,936	19,936
Amortization expense	(1,068)	(4,454)	(5,522)
Balance, December 31, 2019	39,425	31,635	71,060

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 evaluated at $44.7 million, 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 2020 was $4.0 million (2019 – $4.0 million) and is included in the goods and services expense in the consolidated statements of operations and comprehensive (loss) income.

The GTAA also recorded a deferred credit of $44.0 million, which is being amortized on a straight-line basis, over the term of 20 years. The unamortized balance at December 31, 2020 was $11.2 million (December 31, 2019 – $13.4 million). During 2020, the reduction of the unamortized liability of $2.2 million (December 31, 2019 – $2.2 million) was recorded as a reduction to goods and services expense in the consolidated statements of operations and comprehensive (loss) income.

10. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

December 31, 2020

	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	6,707,999	404,114	9,480	542,179	805,404	538,624	9,007,800
Additions	310	—	—	—	—	246,503	246,813
Disposals	(26,039)	—	—	—	(1,056)	—	(27,095)
Transfers	311,433	48,470	—	52,985	56,389	(469,277)	—
Balance, end of year	6,993,703	452,584	9,480	595,164	860,737	315,850	9,227,518
Accumulated amortization							
Balance, beginning of year	2,674,077	215,361	3,642	232,551	480,093	—	3,605,724
Amortization expense	226,569	16,384	158	20,946	60,855	—	324,912
Disposals	(25,878)	—	—	—	(925)	—	(26,803)
Balance, end of year	2,874,768	231,745	3,800	253,497	540,023	—	3,903,833
Net book value, end of year	4,118,935	220,839	5,680	341,667	320,714	315,850	5,323,685

December 31, 2019

	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	6,558,848	396,807	9,480	537,798	753,877	387,545	8,644,355
Additions	273	—	—	—	—	370,481	370,754
Disposals	(485)	—	—	—	(6,824)	—	(7,309)
Transfers	149,363	7,307	—	4,381	58,351	(219,402)	—
Balance, end of year	6,707,999	404,114	9,480	542,179	805,404	538,624	9,007,800
Accumulated amortization							
Balance, beginning of year	2,490,796	200,022	3,484	212,826	427,949	—	3,335,077
Amortization expense	183,600	15,339	158	19,725	58,528	—	277,350
Disposals	(200)	—	—	—	(6,503)	—	(6,703)
Transfers	(119)	—	—	—	119	—	—
Balance, end of year	2,674,077	215,361	3,642	232,551	480,093	—	3,605,724
Net book value, end of year	4,033,922	188,753	5,838	309,628	325,311	538,624	5,402,076

As at December 31, 2020, $315.9 million (December 31, 2019 – $538.6 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $12.0 million (December 31, 2019 – $15.5 million) of capitalized interest. During the year, borrowing costs for active projects were capitalized at the rate of 4.8 per cent, which represents the weighted-average rate of the GTAA's general borrowings (2019 – 4.9 per cent).

11. INVESTMENT PROPERTY

As at December 31	**2020**	2019
	$	$
Cost		
Balance, beginning of year	**499,964**	493,320
Additions	**20,485**	6,644
Balance, end of year	**520,449**	499,964
Accumulated amortization		
Balance, beginning of year	**26,636**	17,619
Amortization expense	**11,241**	9,017
Balance, end of year	**37,877**	26,636
Net book value, end of year	**482,572**	473,328

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.

Office space and building improvements during the year were $20.5 million. These commercial properties are subject to municipal real property taxes.

The total fair value of all commercial properties, based on an independent valuation, was $526.9 million as at December 31, 2020 (December 31, 2019 – $500.3 million). The fair values are within Level 3 of the fair value hierarchy.

For the year ended December 31, 2020, the commercial properties generated $30.8 million (December 31, 2019 – $31.4 million) in rental revenue and incurred $25.0 million (December 31, 2019 – $23.7 million) in direct operating expenses.

12. LONG-TERM DEBT, COMMERCIAL PAPER AND CREDIT FACILITIES

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

Series	Coupon Rate	Maturity Date	Principal Amount	December 31 2020	December 31 2019
Revenue Bonds			$	$	$
1997-3	6.45%	December 3, 2027	321,500	**320,770**	320,466
1999-1	6.45%	July 30, 2029	242,225	**247,736**	267,450
Medium-Term Notes					
2000-1	7.05%	June 12, 2030	526,550	**527,403**	527,244
2001-1	7.10%	June 4, 2031	492,150	**491,621**	491,348
2002-3	6.98%	October 15, 2032	468,960	**475,535**	475,452
2004-1	6.47%	February 2, 2034	567,428	**577,961**	577,674
2010-1	5.63%	June 7, 2040	400,000	**399,009**	398,893
2011-1	5.30%	February 25, 2041	600,000	**607,692**	607,537
2011-2	4.53%	December 2, 2041	400,000	**398,766**	398,653
2012-1	3.04%	September 21, 2022	388,000	**390,823**	390,552
2018-1	3.26%	June 1, 2037	500,000	**498,023**	497,838
2019-1	2.73%	April 3, 2029	500,000	**500,831**	500,536
2019-2	2.75%	October 17, 2039	900,000	**898,387**	898,066
2020-1	1.54 %	May 3, 2028	500,000	**498,322**	—
			6,806,813	**6,832,879**	6,351,709
Commercial paper borrowings			170,000	**169,958**	59,978
				7,002,837	6,411,687
Other fees				**(1,750)**	—
Less: Current portion (including accrued interest)				**(252,004)**	(141,826)
				6,749,083	6,269,861

As at December 31, 2020, accrued interest included in the current portion of the long-term debt was $63.1 million (December 31, 2019 – $62.4 million).

On November 3, 2020, the GTAA issued $500.0 million Series 2020-1 MTNs due May 3, 2028 at a coupon rate of 1.54 per cent for net proceeds of $497.8 million. The net proceeds partially paid down the outstanding short-term debt. As at December 31, 2020, the GTAA had borrowing capacity under its Operating Credit Facility available for general corporate purposes of $1.2 billion, available capacity under its Letter of Credit Facility of $40.8 million and unrestricted cash of $103.2 million.

On July 27, 2020, the GTAA successfully completed an amendment to the GTAA's MTI. The MTI amendment temporarily exempts the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI, which is comprised of two covenant tests, for fiscal years 2020 and 2021. The exemption was sought due to the negative impacts of COVID-19, the unknown duration of the material decline in passenger and flight activity, the risks to achieving covenant compliance and the consequential risks.

On July 31, 2020, the GTAA extended its committed revolving Operating Credit Facility by an additional year to May 22, 2023. Concurrent with the extension, the credit facility syndicate also approved the exemption of the MTI Rate Covenant for fiscal years 2020 and 2021 as it relates to the credit facility agreements.

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

	2020	2019
	$	$
Interest income	**10,021**	11,858
Interest expense on debt instruments	**(326,888)**	(315,298)
Capitalized interest	**15,855**	15,737
Amortization of terminated hedges and interest rate swap	**(1,394)**	(4,030)
MTI amendment fees	**(8,501)**	—
Other financing fees	**(3,473)**	(3,556)
	(324,401)	(307,147)
Interest and financing costs, net	**(314,380)**	(295,289)

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 installments 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, 2020		December 31, 2019	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**6,832,879**	**8,696,473**	6,351,709	7,882,290

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 occur 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).

Each series of notes issued prior to 2017 has no par call date. 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 maturity (calculated from the redemption date).

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

Credit Facilities

The GTAA has a $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, 2020, $170.0 million of CP was outstanding (December 31, 2019 – $60.0 million), no amounts were drawn from the Operating Credit Facility (December 31, 2019 – $nil), $109.2 million of the $150.0 million Letter of Credit Facility was utilized (December 31, 2019 – $109.2 million), and no amounts were secured by the $150.0 million hedge facility. As at December 31, 2020, the GTAA's Operating Credit Facility had $1.2 billion available for general corporate purposes, which is the balance net of $170.0 million used as backstop against the outstanding CP issuances. Indebtedness under the credit facility bears interest at rates that vary with the lenders' prime rate, Bankers' Acceptance rates and LIBOR, as appropriate.

13. 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 2020 was $14.5 million (2019 – $169.7 million) excluding amortization of land acquisition costs (see Note 8, Ground Rent Receivable and Note 9, Intangibles and Other Assets).

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 from subleasing land in the year was $26.7 million (2019 – $28.9 million).

Variable payments form part of certain lease agreements. Total variable payments recognized in the consolidated statements of operations and comprehensive (loss) income for 2020 was $23.8 million (2019 – $64.6 million).

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

	2021	2022	2023	2024	2025	Thereafter
	$	$	$	$	$	$
December 31, 2020	**104,055**	**78,147**	**59,028**	**44,520**	**35,207**	**316,764**
December 31, 2019	195,245	174,898	105,974	63,729	39,951	322,555

14. 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, 2020, and the next required valuation is as of January 1, 2021.

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 14.2 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 61 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.

(ii) Changes in Bond Yields

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

(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 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.

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:

	2020	2019
	$	$
Present value of funded obligation	**(218,096)**	(203,065)
Fair value of plan assets	**282,331**	263,498
Funded status – surplus	**64,235**	60,433
Net defined benefit asset	**64,235**	60,433

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

	2020	2019
	$	$
Accrued benefit obligation		
Balance, beginning of year	**203,065**	183,190
Current service cost	**2,029**	2,092
Interest cost	**6,036**	6,798
Benefits paid	**(7,669)**	(7,884)
Employee contributions	**344**	388
Other	**1,111**	—
Remeasurements:		
Loss from changes in financial assumptions	**14,433**	17,999
Experience (gain) loss	**(1,253)**	482
Balance, end of year	**218,096**	203,065
Plan assets		
Fair value, beginning of year	**263,498**	235,901
Interest income	**7,774**	8,807
Return on plan assets, excluding amounts included in interest income	**17,969**	24,693
Employer contributions	**823**	1,846
Employee contributions	**344**	388
Benefits paid	**(7,669)**	(7,884)
Administrative expenses paid from plan assets	**(408)**	(253)
Fair value, end of year	**282,331**	263,498
Funded status – surplus	**64,235**	60,433

As at December 31, 2020, 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 (2019 – $59.3 million), with an accrued obligation of $200.8 million (2019 – $186.3 million) and a fair value of plan assets of $264.5 million (2019 – $245.6 million). The other plan was in a surplus position of $0.5 million (2019 – $1.1 million), with an accrued obligation of $17.3 million (2019 – $16.7 million) and a fair value of plan assets of $17.8 million (2019 – $17.8 million).

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

	2020	2019
	$	$
Current service cost	**2,029**	2,092
Interest cost	**6,036**	6,798
Interest income	**(7,774)**	(8,807)
Other	**1,111**	—
Administrative expenses	**342**	342
Defined benefit pension plan expense recognized in net (loss) income	**1,744**	425
Amounts recognized in other comprehensive income:		
Loss from changes in financial assumptions	**14,433**	17,999
Experience (gain) loss	**(1,253)**	482
Return on plan assets	**(17,903)**	(24,782)
Total remeasurements recognized in accumulated other comprehensive loss	**(4,723)**	(6,301)

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

	2020	2019
	$	$
Net defined benefit asset, beginning of year	60,433	52,711
Defined benefit cost included in net (loss) income	(1,744)	(425)
Total remeasurements included in other comprehensive income	4,723	6,301
Employer contributions	823	1,846
Net defined benefit asset, end of year	64,235	60,433

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

	2020	2019
	$	$
Active members	68,688	66,009
Vested deferreds	8,223	10,129
Retirees	141,185	126,927
Accrued benefit obligation	218,096	203,065

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

	Fair Value of Plan Assets	
Asset Category	2020	2019
Equity securities	61 %	61 %
Fixed income	39 %	39 %

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):

	2020	2019
Discount rate	2.57 %	3.09 %
Rate of compensation increase	2.50 %	3.00 %
Rate of price inflation	2.00 %	2.00 %
Rate of pension increases	2.00 %	2.00 %
Long-term rate of return on plan assets	4.80 %	4.30 %

Mortality rates have been established in accordance with the Canadian Pensioners' Mortality Table Private Sector published by the Canadian Institute of Actuaries.

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, 2020 would be as follows:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$	$
Discount rate	1.00 %	(26,792)	33,180
Rate of price inflation	1.00 %	30,058	(25,446)
Mortality	1 year	7,443	(7,443)

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, 2020, the registered defined benefit plan had a funding valuation solvency surplus of $16.3 million. The supplementary defined benefit plan had a solvency deficit of $0.2 million as at January 1, 2020. The GTAA has fully funded this deficit.

Expected contributions, benefit payments and administrative expenses for both defined benefit pension plans for the year ended December 31, 2021 are $1.8 million, $8.6 million and $0.3 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. The net expense for the defined contribution pension plans in 2020 was $5.4 million (2019 – $5.9 million).

The GTAA's contribution to the registered defined contribution pension plans is a maximum of 6.5 per cent of the employee's gross earnings. 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, 2020 of $4.0 million (December 31, 2019 – $3.3 million).

On January 1, 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"). Similar to the GTAA's defined contribution pension plan, the GTAA's contributions to the CAAT Pension Plan is a maximum of 6.5 per cent of the employee's gross earnings. This will cause all future employer contributions to be made to the CAAT Pension Plan instead of the GTAA defined contribution pension plan.

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, 2020, the balance of the accrued benefit obligation was $3.5 million (2019 – $2.8 million), the post-employment benefit expense recognized in net (loss) income for the year ended December 31, 2020 was $0.2 million (2019 – $0.2 million), benefits paid were $0.2 million (2019 – $nil) and the non-pension remeasurements loss recognized in other comprehensive income was $0.7 million (2019 – gain of $0.2 million).

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2020, the estimated obligation for this payment is $4.7 million (December 31, 2019 – $3.0 million), the post-employment benefit expense recognized in net (loss) income for the year ended December 31, 2020 was $0.5 million (2019 – $0.3 million), and the non-pension measurement loss recognized in other comprehensive income was $1.2 million (2019 – $nil). This amount is included in post-employment benefit liabilities in the consolidated statements of financial position.

15. 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.

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, Note 13, Leases, for amounts due under the Ground Lease and Note 22, COVID-19 Impact, for information on the Canada Emergency Wage Subsidy program.

Compensation of Key Management and Directors

The GTAA's related parties also includes Key Management personnel. Key Management includes the CEO, the CFO 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.

The following table includes compensation to Key Management personnel and Members of the Board of Directors for the years ended December 31 included in the consolidated statements of operations and comprehensive income.

	2020	2019
	$	$
Salaries, fees and short-term benefits	**10,476**	9,283
Post-employment benefits	**847**	828
Other long-term benefits	**17**	16
Total (included in salaries, wages and benefits)	**11,340**	10,127

16. 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, 2020 of approximately $157.8 million (December 31, 2019 – $297.7 million).

Letters of Credit

A number of letters of credit for $109.2 million in total were outstanding as at December 31, 2020 (see Note 12, 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.

17. 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 12, 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.

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 12, Long-Term Debt, Commercial Paper and Credit Facilities. As at December 31, 2020, 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. The borrowings under the CP program 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) and other borrowings (see Note 12, Long-Term Debt, Commercial Paper and Credit Facilities). As at December 31, 2020, $389.6 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	**2020**	2019
	$	$
Cash and Cash Equivalents		
AA	**103,173**	30,249
Restricted funds		
AA	**417,833**	365,689
AA low	**—**	50,512
	417,833	416,201

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 seasonally reviewed 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 are assessed by reference to external credit ratings (if available). As at December 31, 2020, $24.0 million in accounts receivables had an external credit rating of A or higher and $43.2 million had a rating of B or higher. 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 51.9 per cent (2019 – 45.4 per cent) of total revenue, and 8.6 per cent (2019 – 11.9 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2020.

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 COVID-19 pandemic is placing downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit this that include extending the commitments available under its revolving credit facility to 2023 to provide additional flexibility in light of the continuing impact of the COVID-19 pandemic on the GTAA's revenues and operations, and reducing and deferring operational and capital expenditures.

The GTAA has an internal financial risk policy that includes a statement that the GTAA will always maintain available liquidity of at least $200 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 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 12, Long-Term Debt, Commercial Paper and Credit Facilities, and Note 21, 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, 2020			
	Less Than 1 Month	**1 Month to 12 Months**	**1 Year to 5 Years**	**Thereafter**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**42,538**	**150,483**	**—**	**—**
Commercial paper	**54,997**	**114,961**	**—**	**—**
Long-term debt	**7,812**	**337,384**	**2,066,797**	**8,640,672**
	105,347	**602,828**	**2,066,797**	**8,640,672**

	December 31, 2019			
	Less Than 1 Month	1 Month to 12 Months	1 Year to 5 Years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities	63,831	226,368	—	—
Commercial paper	59,978	—	—	—
Long-term debt	8,439	329,057	2,040,092	8,454,823
	132,248	555,425	2,040,092	8,454,823

Additional disclosure about the GTAA's credit facilities and long-term debt can be found in Note 12, 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, 2020 and 2019, 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, 2020, no recognized financial instruments are offset in the consolidated statements of financial position.

			December 31, 2020
	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	**93,131**	**(24,328)**	**68,803**
Restricted funds	**417,833**	**(413,773)**	**4,060**
	510,964	**(438,101)**	**72,863**
Financial liabilities			
Security deposits	**(24,328)**	**24,328**	**—**
Long-term debt (including current portion)	**(6,832,879)**	**413,773**	**(6,419,106)**
	(6,857,207)	**438,101**	**(6,419,106)**

			December 31, 2019
	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	86,741	(32,289)	54,452
Restricted funds	416,201	(411,311)	4,890
	502,942	(443,600)	59,342
Financial liabilities			
Security deposits	(32,289)	32,289	—
Long-term debt (including current portion)	(6,351,709)	411,311	(5,940,398)
	(6,383,998)	443,600	(5,940,398)

18. REVENUE

During the year, the GTAA recognized $665.0 million (2019 – $1.3 billion) from contracts with customers and $158.5 million (2019 – $247.0 million) of revenue was recognized under IFRS 16, Leases.

Deferred revenue was $52.3 million as at December 31, 2019, and was fully recognized in the consolidated statements of operations and comprehensive (loss) income in 2020. $44.1 million of cash was received during the year that related to performance obligations yet to be satisfied resulting in a deferred revenue balance of $44.1 million as at December 31, 2020.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	**2020**	2019
	$	$
Trade payables	**76,829**	58,211
Accrued expenses	**110,117**	222,037
Commodity sales tax payable	**151**	3,021
Provisions	**1,455**	1,943
Other liabilities	**4,469**	4,987
	193,021	290,199

20. GOODS AND SERVICES EXPENSE BY NATURE

Years Ended December 31	**2020**	2019
	$	$
Property and equipment maintenance and repairs	**65,418**	100,619
Outsourcing and professional services	**106,120**	131,717
Utilities	**19,212**	21,165
Policing and security	**35,898**	40,306
Snow removal	**25,923**	36,312
AIF administration fee	**5,146**	17,923
Small parts and material supplies	**7,108**	7,926
Insurance	**7,196**	6,314
Expected credit loss	**18,487**	418
Other	**24,832**	22,167
	315,340	384,867

21. CAPITAL RISK MANAGEMENT

The GTAA defines its capital as current and long-term portions of debt; borrowings under the CP program; borrowings, if any, under the GTAA's credit facilities (see Note 12, 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 covenant 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 sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, on July 27, 2020, the GTAA successfully completed the amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant prescribed under the MTI, which is comprised of the two covenant tests, for fiscal years 2020 and 2021.

22. COVID-19 IMPACT

The COVID-19 pandemic and resulting economic contraction has had, and is expected to continue to have, a material negative impact on demand for air travel globally. Toronto Pearson has experienced material declines in passenger and flight activity since March 2020, as compared to the same periods in 2019. Management continues to analyze the extent of the financial impact of COVID-19, which is and continues to be material. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the GTAA believes that the pandemic will not have a material impact on the long-term financial sustainability of the Airport.

The GTAA has received payments from the Canada Revenue Agency under the Canada Emergency Wage Subsidy program. The Canadian government has extended the program until June 2021. The total amount claimed under the program in 2020 was $48.8 million; $46.4 million of which was recorded on the consolidated statements of operations and comprehensive (loss) income and $2.4 million was recorded against assets under construction in property and equipment on the consolidated statements of financial position. As at December 31, 2020, the balance included in accounts receivable on the consolidated statements of financial position was $16.6 million (2019 – $nil). See Note 7, Accounts Receivable.

On July 14, 2020, Toronto Pearson announced the reduction of approximately 500 positions due to impacts created by COVID-19. As at December 31, 2020, the GTAA has estimated the financial impact of the restructuring to be approximately $22.5 million which is recorded in salary, wages and benefits expense on the consolidated statements of operations and comprehensive (loss) income. Throughout the year, payments of $6.3 million have been made, resulting in a balance of $14.5 million (2019 – $nil) in accounts payable and accrued liabilities on the consolidated statements of financial position. Also included in other liabilities was a balance of $1.7 million related to the restructuring program (December 31, 2019 – $nil).