

Greater Toronto Airports Authority

Management's Discussion and Analysis and Consolidated Financial Statements

December 31, 2021 and 2020



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

December 31, 2021 and 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

Dated March 24, 2022

FORWARD-LOOKING INFORMATION

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

This report discusses the financial and operating results of the Greater Toronto Airports Authority (the "GTAA" or "Company") for the year ended December 31, 2021 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2021 and 2020, and the Annual Information Form for the year ended December 31, 2021. 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 at the option of the GTAA. The Ground Lease is available on SEDAR at www.sedar.com and on the GTAA's website at www.torontopearson.com. The GTAA's wholly-owned subsidiary, Malton Gateway Inc. ("MGI"), a holding company, was incorporated in April 2017 and holds the shares of Airway Centre Inc. ("ACI") which was also incorporated in April 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation or maintenance of the Airport. The properties acquired by ACI do not form part of the premises leased to the GTAA by the federal government under the Ground Lease.

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 (also "pandemic")

Over the course of 2021, with intermittent global lockdowns, travel restrictions, a government advisory telling Canadians not to travel unless essential, and government-imposed health requirements, the COVID-19 pandemic has had a material negative impact on demand for air travel globally. Due to the pandemic and the resultant travel restrictions including border closures and severe financial impacts, there were multiple flight and route cancellations by air carriers. Toronto Pearson has experienced a small decline in passenger and flight activity during 2021, as compared to the same period in 2020, which included one quarter of aviation activity in the first quarter of 2020, prior to the COVID-19 pandemic shutdown. However, since the third quarter of 2021, operating activity at the Airport has grown significantly from the same periods of 2020, due in part to a domestic vaccination rollout and the easing of government travel restrictions during 2021. Nevertheless, all measures of operating activity continue to be well below the 2019 levels.

During the fourth quarter of 2021:

- Toronto Pearson processed 5.9 million passengers or 279.4 per cent more passengers than it did in the same period in 2020;
- Passenger volumes at Toronto Pearson increased to an average of 63,260 per day from an average of 16,684 per day in the same period of 2020;
- The number of flights increased to an average of 776 per day from approximately 327 per day in the same period of 2020; however,
- The number of passenger and flight activity remains significantly low, when compared to the same period in 2019 with passenger volumes at an average of 128,840 per day and number of flights at an average of 1,240 per day in such period.

During 2021:

- Toronto Pearson processed 12.7 million passengers or 4.5 per cent fewer passengers than it did in 2020 due to the volumes in the first quarter of 2020 not being materially impacted by the COVID-19 pandemic offset by the significant increases in volume during the second half of 2021 over the same period in 2020;
- Passenger volumes at Toronto Pearson dropped to an average of 34,780 per day from an average of 36,322 per day in 2020, again due to the pre-COVID-19 pandemic results in the first quarter of 2020 partially offset by the significant increases in volume during the second half of 2021 over the same period of 2020; and
- The average number of flights stayed relatively flat at 473 per day as compared to approximately 478 per day in 2020.

As at December 31, 2021, airlines operating at Toronto Pearson increased to 60 from 48 as at December 31, 2020.

The reduced activity has had a material and negative impact on the GTAA's business and results of operations compared to 2019 levels, including aeronautical and commercial revenues and Airport Improvement Fees ("AIF"). This negative impact has diminished somewhat with the higher volume of passengers in the second half of 2021. During the fourth quarter of 2021, and fiscal year 2021, the GTAA:

- Earned revenues of \$274.8 million, an increase of 82.6 per cent or \$124.3 million and \$826.8 million, a slight increase of 0.4 per cent or \$3.3 million, compared to the same periods of 2020, respectively; and
- Incurred net losses of \$47.6 million, lower by 59.3 per cent or \$69.2 million and \$350.4 million for the year, lower by 8.6 per cent or \$33.0 million, compared to the net losses of \$116.8 million and \$383.4 million in the same periods of 2020, respectively.

During 2021, 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

- The GTAA has implemented significant reductions to operating expenditures, including the continuation of its hiring freeze and a further reduction in capital spend compared to the same period of 2020. Refer to the "Capital Projects" section. Due to increased operating activity in the third quarter of 2021, the GTAA reduced the temporary closure of operating access to approximately 20 per cent of its terminal facilities from the original reduction of over 40 per cent implemented in the second quarter of 2020. The temporary closure was in response to the overall reduced travel activity due to the impact from COVID-19.
- Effective January 1, 2021, the following increases to aeronautical rates and the AIF were implemented:
 - Aeronautical rates for commercial aviation increased by 3 per cent;
 - The AIF for departing passengers increased by \$5 to \$30 per passenger, slightly below the average of other major Canadian airports;
 - The AIF for connecting passengers increased by \$2 to \$6 per passenger; and
 - 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, Management believes that these increases will contribute to the GTAA's ability to make continued investments in healthy air travel and industry recovery.

- On July 21, 2021, the GTAA completed two amendments of its Master Trust Indenture ("MTI"): 1) relieving the GTAA from complying with the Rate Covenant prescribed under the MTI for fiscal year 2022; and 2) permitting the GTAA to create any guarantee or to make or maintain any investment, provided that the aggregate cost basis of such guarantees and investments amounts to no more than the greater of 3.0 per cent of the GTAA's total assets and \$200.0 million and no default or event of default exists or would exist as a result thereof. As at December 31, 2021, no guarantees or investments were made under this amendment.
- On July 16, 2021, the GTAA extended its committed revolving Operating Credit Facility by an additional year to May 31, 2024. Concurrent with the extension, the credit facility syndicate also approved both the exemption from complying with the MTI Rate Covenant for fiscal year 2022, and the amendment on the limitation on guarantees and investments.
- On October 5, 2021, the GTAA issued \$400.0 million Series 2021-1 Medium Term Notes ("MTNs") due October 5, 2051 at a coupon rate of 3.15 per cent for net proceeds of \$397.3 million. The net proceeds were primarily used to repay commercial paper ("CP"). The GTAA's net liquidity position (including cash) as at December 31, 2021 was approximately \$1.7 billion.
- On November 4, 2021, the GTAA announced the following changes to aeronautical rates, effective January 1, 2022:
 - Aeronautical rates for commercial aviation will increase by 3 per cent; and
 - Aeronautical rates for all business and general aviation aircraft, regardless of weight, will increase to \$850 per arrival movement.

b. Passenger and Safety Response

- Toronto Pearson's "Healthy Airport" official mark is a commitment with partners, government agencies and stakeholders designed to set strong, consistent, reliable standards for passenger and airport worker health protection. The Healthy Airport commitment is a comprehensive program introduced in 2020 that outlines the

steps that the Airport and its partners have implemented to help restore confidence in the safety of air travel given the new realities. The commitment includes the following:

- The Airport has implemented improved technologies resulting in faster and reduced touch processes. New innovations include:
 - a variety of ultraviolet light (UV) applications for sanitization throughout the Airport;
 - disinfecting high-touch escalators and moving sidewalk handrails and autonomous floor cleaners are in operation throughout the Airport to clean and disinfect floor surfaces;
 - over three kilometers of plexiglass barriers installed throughout the Terminals; and
 - the introduction of personal protective equipment vending machines;
 - 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 and workers;
 - The Government of Canada recognizes that in some areas of the Airport, maintaining a physical distance of two metres may not be possible. In these cases, the Government of Canada suggests a “layered” approach with multiple protective measures—including mask wearing, hand hygiene, respiratory etiquette and ventilation systems—in accordance with published guidance. The Healthy Airport program employs this layered approach, including enhanced cleaning, mandatory mask-wearing, enhancements to air quality with ongoing monitoring, and other technologies. The GTAA continues to adjust its layered approach as required to ensure that it keeps staff and passengers safe;
 - Every vendor, contractor, and employer operating at the Airport must have in place a “workplace contact tracing program” that allows them to identify, and support individuals who have had close contact with someone who has tested positive for COVID-19 to support the identification of potential workplace spread for Workplace Safety and Insurance Board reporting; and
 - The GTAA continues to place passenger and employee health first with safety measures from the guidance of the GTAA's Chief Medical Officer, an industrial hygienist and public health agencies to reduce the spread of COVID-19. These measures include enhanced cleaning; the placement of more than 500 hand sanitizer stations; working with government agencies to enable a more efficient and safe processing of passengers; enhancements to the heating, ventilation and air conditioning systems in the terminals, as well as quality assurance monitoring programs, to help provide a safe Airport environment.
- On August 13, 2021, the Government of Canada announced its intention to require vaccination as early as the end of September 2021 for employees across the federal public service. In addition, the Government of Canada required employees in the federally regulated air, rail, and marine transportation sectors to be vaccinated no later than the end of October 2021. This vaccination requirement also extended to all travellers, with very few exemptions. This includes all commercial air travellers, passengers on interprovincial trains, and passengers on large marine vessels with overnight accommodations, such as cruise ships. Consistent with the federal government's mandate, the GTAA has enacted its own mandatory vaccine policy effective September 14, 2021 that required all GTAA employees to be fully vaccinated by October 31, 2021, with accommodation being provided for grounds covered by the *Canadian Human Rights Act*. The GTAA also required employers, persons, businesses and organizations with operations in the terminal or standalone facilities on the Airport property to acknowledge to the GTAA that they have their own policy for mandatory vaccination to achieve mandatory vaccination by October 31, 2021, with accommodation as required by law.
 - The GTAA understands 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 could diminish the traveller’s confidence in the safety of their journey. Accordingly, the GTAA believes that it is imperative that each participant in the home-to-home journey deliver service flawlessly on a consistent basis in order to restore and maintain confidence in the health and safety of air travel. To reinforce Toronto Pearson’s Healthy Airport commitment and the measures taken by the GTAA to deliver an integrated

traveller experience and build confidence in travel, in collaboration with industry partners, the GTAA is undertaking various measures, including advocacy at all levels of government. The GTAA also is committed to working with its airline partners to connect passengers safely once again across Canada and around the globe.

c. Testing, Research and Data Collection

- Since the beginning of the pandemic, both the provincial and federal governments have implemented various measures to address COVID-19 in the context of achieving safe air travel. The GTAA has cooperated with government to help protect the safety of all passengers and workers. A series of initiatives and requirements were introduced in early 2021 as summarized below due to the increasing COVID-19 cases in Ontario and the rest of Canada and new global variants of COVID-19 believed to be more contagious. The Ontario government initially launched a COVID-19 testing program at the Airport where travellers were tested for COVID-19 upon arrival. This program was subsequently replaced with the federal government's mandatory arrivals testing protocol discussed below. In light of these evolving travel restrictions, the GTAA continues to adapt its operations to provide passengers a safe and efficient travel experience.

Pre-departure to Canada - Proof of Negative COVID-19 Test Requirement

- On January 6, 2021, the Canadian federal government ordered all travellers coming to Canada by air to provide proof of a negative COVID-19 polymerase chain reaction ("PCR") test or other molecular COVID-19 test taken within 72-hours of departure in addition to the 14 days quarantine on arrival. The PCR requirement continued to be in effect until it was amended to include the option to show proof of a negative antigen test result effective February 28, 2022 as announced by the Canadian federal government on February 15, 2022. On March 17, 2022, the federal government announced that fully vaccinated international travellers will no longer need to provide a pre-entry COVID-19 test result to enter Canada effective April 1, 2022.

Arrival - Mandatory COVID-19 Testing by Federal Government

- Effective February 22, 2021, the Canadian federal government ordered all international passengers landing at the Airport (with certain exceptions) or connecting to other cities in Canada to take a mandatory COVID-19 PCR test at the Airport as well. Subsequently throughout the first half of 2021, the federal government mandated measures such as the Government Approved Accommodation ("GAA") hotel stay to await their on-arrival test results and maintained the 14-day quarantine for international arrivals, except for fully vaccinated Canadian citizens and permanent residents. These requirements were later modified during the summer of 2021 and arrivals testing shifted to a mandatory, randomized model upon entry into Canada for fully vaccinated travellers and the GAA stay was eliminated.
- On November 30, 2021, as more cases of the Omicron COVID-19 variant continued to be reported, the Canadian federal government announced the requirement for all travellers, both vaccinated and unvaccinated, coming to Canada, except from the United States, to be tested at the airport where they land. These travellers needed to isolate until they receive the result of their test. This requirement was not fully implemented at Toronto Pearson, as acknowledged by the Canadian federal government. Instead, the requirement at the Airport was to test 10,000 per day of international fully vaccinated arrivals, 100 per cent of unvaccinated international arrivals and the mandatory random testing continued to apply to travellers coming directly from the US. Take-home test kits were used to achieve the 10,000 per day threshold without excessive disruption to passenger flow on arrival.

Pre-departure from Canada and Airport Employees — COVID-19 Testing

- From March 2021 to July 2021, with a financial contribution from the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), a branch of the Government of Canada, the GTAA initiated a research study enabling COVID-19 testing, free of charge, for both Airport employees and passengers departing Canada from the Airport that require proof of a negative test

result for their destination entry requirements. The study was undertaken by a team of Canadian healthcare companies who deployed their digital workflow, testing, and data infrastructure for execution and oversight of this program. Using new Canadian developed testing technology as well as existing antigen testing technology, the study explored the efficacy of antigen testing compared to the PCR test in a high-throughput commercial environment as well as studied the operationalization of rapid PCR testing in a time-sensitive airport environment. In parallel to the federally funded study, the GTAA worked with three renowned Canadian epidemiologists and researchers, Dr. Kevin Schwartz, Dr. Prabhat Jha, and Dr. Isaac Bogoch to explore the viability of frequent antigen testing within a workforce as a method to quickly identify, trace, and isolate COVID-19 cases. The workforce screening study, which ended in May 2021, demonstrated that rapid antigen screening can be effective in identifying infectious individuals in occupational settings to reduce transmission and outbreaks. Rapid antigen screening is an important public health tool to identify infectious individuals and mitigate transmission within the workplace. The studies completed more than 37,550 tests collectively.

- On July 12, 2021, Switch Health, in collaboration with the GTAA, commenced offering COVID-19 testing services to departing Toronto Pearson passengers, as well as community members and Airport employees looking for convenient access to tests. Switch Health offers both PCR and antigen tests at competitive prices. These tests are intended to provide another protective layer in the GTAA's Healthy Airport program. Testing is offered in both a traditional clinic setting as well as by drive-through appointment, operated at Toronto Pearson's Value Park Garage. Both Switch Health and the GTAA plan to work together to continually adapt to meet and exceed the demands of a rapidly evolving pandemic environment and exploring new innovations to meet the needs of the GTAA's passengers, employees and the community. As of December 31, 2021, more than 134,000 tests have been administered through the Switch Health Clinic at the Airport's Value Park Garage.

d. Government Financial Support:

- Through an Amendment to the Ground Lease dated May 27, 2021, the Government of Canada has deferred the GTAA's Ground Lease rent payments in respect of 2021, with such payments to be made over a ten-year period commencing in 2024. As at December 31, 2021, \$63.5 million has been recorded as deferred ground rent payable on the consolidated statements of financial position, which represents the present value of future lease payments to take into account the time value of money. The related ground rent expense for the year has been recorded on the consolidated statements of operations and comprehensive loss.
- The GTAA received payments from the Canada Revenue Agency under the Canada Emergency Wage Subsidy ("CEWS") program until October 2021. For the year ended December 31, 2021, \$27.0 million (December 31, 2020 – \$46.4 million) was recorded on the consolidated statements of operations and comprehensive loss as a reduction of salary, wages and benefits, and \$1.6 million (December 31, 2020 – \$2.6 million) was recorded against capitalized salaries, wages and benefits 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 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 potentially discuss financial support given Management's belief in 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 seeking the following further short-term assistance from government:
 - **2021 and 2022 relief from Ground Lease rent payments:** The Airport Ground Lease rent deferral for 2021 has assisted the GTAA to better manage liquidity impacted by the COVID-19 pandemic. However, the GTAA believes the COVID-19 pandemic impact will go beyond 2021 and that Canadian airports require further support. The Canadian aviation industry is at risk of becoming less competitive vis-à-vis

airports in Europe and the U.S. where significant government grants and other aid have been provided to their airports. As a result, the GTAA is seeking further relief from Airport Ground Lease rent for 2021 and 2022 in the form of a waiver.

- **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:** Transport Canada announced on March 14, 2022 up to \$142.0 million in new funding under the Airport Critical Infrastructure Program ("ACIP") and the Airport Biosecurity Infrastructure Stream to help Toronto Pearson recover from the effects of the COVID-19 pandemic and to support continued air services and important transportation infrastructure projects at the Airport. The funding will be used for airside restoration, to develop and install a new check-in service, boarding and border clearance systems, and to improve COVID-19 screening of staff and passengers. The funding will also be used to conduct studies and develop a concept to connect Toronto Pearson with the future extension of the Eglinton Crosstown Light Rail Transit ("LRT").

e. Management's Financial Assessment:

- As a result of COVID-19 and changing travel restrictions in place in Canada and around the world, there is very limited accurate visibility on the future of travel demand, which is severely inhibited. The GTAA cannot accurately predict the timing of a full recovery. Management continues to analyze the extent of the financial impact of the COVID-19 pandemic, which is and continues to be adverse and material. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, in the long-term the GTAA believes that recovery will happen and the pandemic will not have a material impact on the long-term financial sustainability of the Airport.
- The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. Though the GTAA has experienced a significant loss during 2021 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 to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due. As the GTAA has a bond maturity in September 2022, the pandemic may yet impact the cost of capital and ability to access 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 impact of the COVID-19 pandemic, there continues to be 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 the pandemic on the GTAA's business. In light of the dynamic operating environment, Management will continue to assess advanced strategies to support the safety of passengers and Airport workers, and the financial sustainability of the organization.

Aviation Industry, Operational and Environmental Recognition

The GTAA was recognized by:

- Airports Council International for:
 - Its passenger service and practices. On March 10, 2022, Toronto Pearson was awarded "Best Large Airport in North America" (airports serving 40+ million passengers, as measured by 2019 passenger levels), as measured by Airports Council International's Airport Service Quality program, for the fifth consecutive year;
 - "Best Hygiene Measures by Region" for a second year. This accolade is largely the result of Toronto Pearson's Healthy Airport program, which is a multi-layered approach to creating a safe and healthy

airport experience; measures such as mask wearing and limited terminal access; 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;

- Forbes Canada in early 2022 by making its "Best Employers" list for 2022. The GTAA ranked 3rd among all Transportation and Logistics companies on the list. In the last couple of years, the GTAA has sharpened its focus on diversity, equity and inclusion; placed increased attention on health and wellness; created a results-oriented culture; and involved employees from across the business as it developed the workplace of the future; and
- Building Owners and Managers Association (BOMA) Toronto by awarding the GTAA the "2021 BOMA Race 2 Reduce CREST" award in the Performance Leadership Landmark Building category. This award is a new category that recognizes the greatest percentage reduction of greenhouse gas (GHG) emission intensity. Through its previous environmental plan, the GTAA successfully reduced scope 1 and 2 emissions at the Airport by more than 60 per cent (against a 2006 baseline) by the end of 2020. Some of the steps the GTAA took to achieve this included:
 - Energy reduction projects that focus on switching to energy-efficient LED lighting;
 - Upgrading the Airport's heating, ventilation and air conditioning systems; and
 - Investing in electric vehicles and charging stations.

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 2021 by 4.5 per cent, from 13.3 million passengers in 2020 to 12.7 million passengers in 2021, representing an annual decline of 0.6 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 2021, the decline was in the international sector with a decrease of 24.6 per cent, offset by the domestic sector recording an increase in passenger traffic of 24.4 per cent, when compared to 2020. Continued intermittent travel restrictions on international travel throughout 2021 as a result of the pandemic contributed to the decline. Domestic passenger activity increased as this sector had fewer travel restrictions whereas international sector traffic was more complex and up to February 28, 2022 included the need for travellers to provide a negative PCR test to enter Canada.

The following table summarizes passenger activity by sector for 2021, 2020 and 2019:

Passenger Activity ²	2021	2020	Change ¹		2019
<i>(in millions)</i>				%	
Domestic	6.8	5.5	1.3	24.4	18.1
International	5.9	7.8	(1.9)	(24.6)	32.4
Total	12.7	13.3	(0.6)	(4.5)	50.5
<i>(in millions)</i>					
Origin and destination	9.3	9.3	—	—	35.2
Connecting	3.4	4.0	(0.6)	(14.8)	15.3
Total	12.7	13.3	(0.6)	(4.5)	50.5
Origin and destination ¹	73.2 %	70.0 %		3.2 pp	69.6 %
Connecting ¹	26.8 %	30.0 %		(3.2)pp	30.4 %
Total	100.0 %	100.0 %			100.0 %

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

² Based on Airline reporting, passenger estimates may vary from actual numbers.

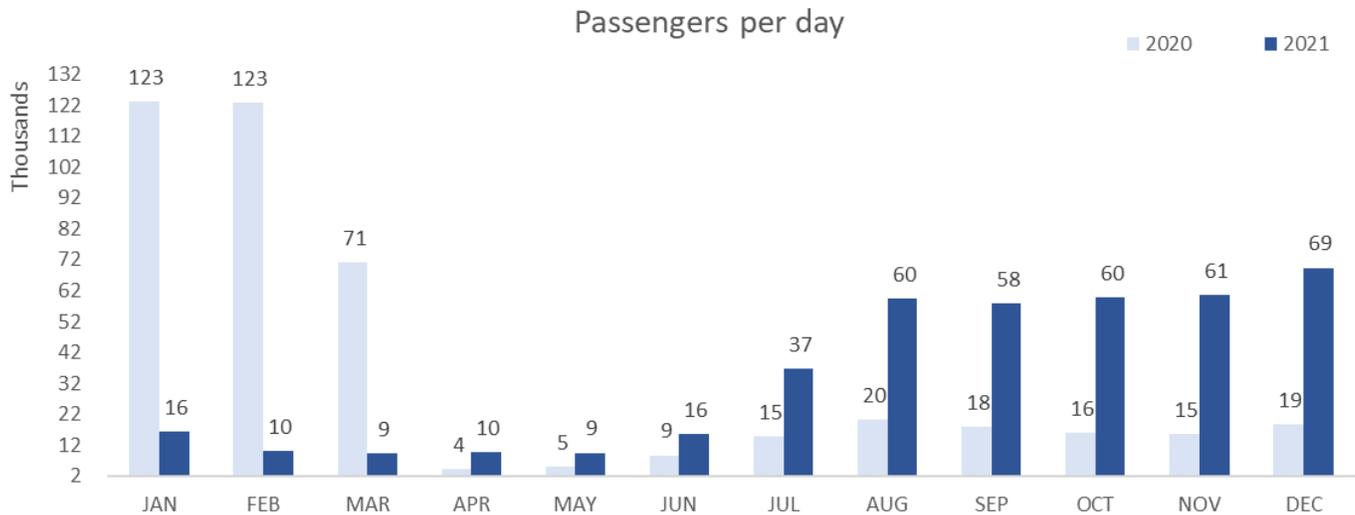
Passengers are further segmented into two principal types of passengers: origin and destination passengers and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, reflecting the economic health of a region, while a connecting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

During 2021, the number of origin and destination passengers was flat at 9.3 million passengers while the number of connecting passengers decreased 14.8 per cent to 3.4 million passengers, when compared to 2020. During 2021, the percentage of origin and destination passengers versus connecting passengers was 73.2 per cent and 26.8 per cent, respectively, compared to 70.0 per cent and 30.0 per cent in 2020.

During 2021, Toronto Pearson's passenger activity has been directly and materially impacted by the COVID-19 pandemic and has experienced a slight decrease, when compared to 2020. Passenger volumes at Toronto Pearson dropped to an average of 34,780 per day from an average of 36,322 per day in 2020. The passenger volumes in the first quarter of 2020 were not materially impacted by the COVID-19 pandemic, whereas the volumes since the second quarter of 2021 significantly improved over the same periods in 2020. The average number of flights stayed relatively flat at 473 per day as compared to approximately 478 per day in 2020. As at December 31, 2021, airlines operating at Toronto Pearson increased to 60 from 48 as at December 31, 2020.

However, the fourth quarter of 2021 is more comparable to the fourth quarter of 2020, as both were impacted by the pandemic. In this respect, the impact from the pandemic was less severe when compared to the same period in 2020. The increase in operating activity during the fourth quarter of 2021 was likely due to a successful domestic vaccine rollout over the summer and the easing of some government travel restrictions. Passenger volumes at Toronto Pearson increased to an average of 63,260 per day from an average of 16,684 per day in the same period of 2020, however, average daily volumes remain significantly lower in comparison to the same period of 2019 which experienced an average of 128,840 per day. The number of flights increased to an average of 776 per day from approximately 327 per day in the same period of 2020, however, average daily volumes remain significantly lower in comparison to the same period of 2019 which experienced an average of 1,240 per day.

The following table outlines the monthly average number of passengers that travelled through Toronto Pearson daily from January 2021 to December 2021, as compared to January 2020 to December 2020.



The COVID-19 pandemic has resulted in global reductions in passenger air travel and extensive flight and route changes as a result of a number of factors, including at various times:

- official global travel advisory published by the Government of Canada to “avoid all non-essential travel outside Canada until further notice” in place since March 2020 on an intermittent basis, including over the December 2021 and January 2022 holiday travel period having an impact on passengers' decisions to travel;
- travel restrictions that require all international arriving travellers to quarantine for 14 days;
- rules in place by other countries that restrict travel from Canada;
- rules in place by the Canadian government that restricts travel to Canada;
- air carrier route changes and cancellations;
- air carrier ad hoc changes in flight schedules;
- continued border restrictions on travel by foreign nationals;
- COVID-19 variants of concern, some of which are believed to be more contagious, being detected in late 2020 and early 2021, and specifically the new variant, Omicron, which was detected in late 2021;
- beginning in early January 2021, the requirement of a pre-departure negative COVID-19 PCR test result for all international travellers to Canada and an antigen test to the US (including from Canada);
- beginning in early January 2021, the Ontario government instituted voluntary then mandatory international passenger arrivals' testing at the Airport for travellers remaining in Ontario (which ended once the federal government mandate commenced, see below);
- beginning in late February 2021, the federal government instituted mandatory international passenger arrivals' testing at the Airport on landing with 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. This mandate was eventually replaced during the summer of 2021 with fewer restrictions, including mandatory randomized testing for all vaccinated passengers and mandatory arrivals testing with quarantine for 14 days at final destination for arriving unvaccinated Canadians and permanent residents only; and
- mandatory vaccination requirement by federal government for all departing travellers and inbound foreign nationals effective October 31, 2021.

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 2021, 2020 and 2019.

Flight Activity ¹	2021	2020	Change ²		2019
			%		
<i>(in thousands)</i>					
Aircraft movements ³	173.0	174.4	(1.4)	(1.0)	452.8
Passenger aircraft movements	136.5	149.1	(12.6)	(8.5)	414.9
<i>(in millions)</i>					
MTOW (tonnes)	16.4	16.0	0.4	2.4	38.4
Seats	20.0	21.9	(1.9)	(8.6)	60.0
Seats per passenger aircraft movement	146.9	147.1	(0.2)	(0.1)	144.5
Load factor	63.3 %	60.7 %		2.6 pp	84.3 %

¹ Flight activity measures above reflect both arriving and departing flights.

² "% Change" and "%" are based on detailed actual numbers (not rounded as presented).

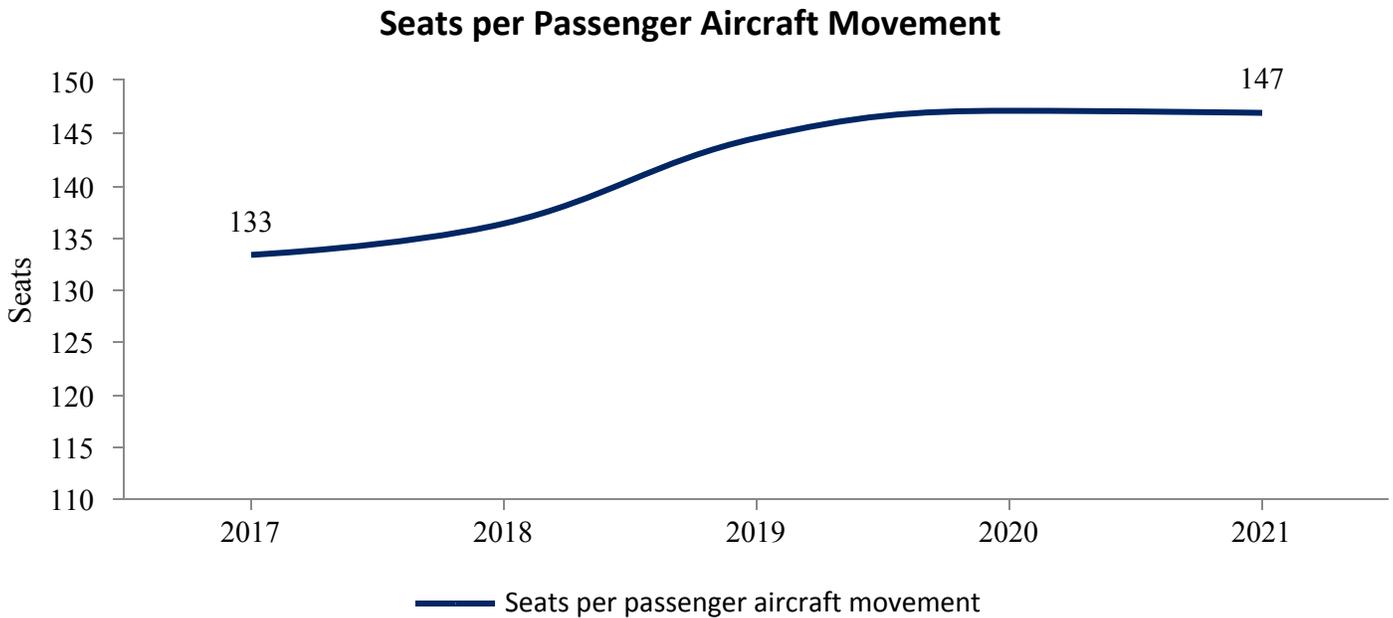
³ Aircraft movements include both passenger and non-passenger aircraft movements.

Aircraft movements, which include both passenger and non-passenger movements (i.e. cargo), decreased 1.0 per cent in 2021 as compared to 2020. Passenger aircraft movements declined 8.5 per cent in 2021 as compared to 2020 due to the air travel restrictions and aircraft groundings that resulted from the COVID-19 pandemic. The aircraft movements in the first quarter of 2020 were not materially impacted by the COVID-19 pandemic, whereas the aircraft movements since the second quarter of 2021 significantly improved over the same periods in 2020.

During 2021, MTOW was 16.4 million tonnes, an increase of 2.4 per cent as compared to 2020. This change reflects the increase in dedicated cargo flight operations offset by the loss of aircraft belly cargo capacity due to reduced passenger aircraft activity from the continued impact of the pandemic.

Seats decreased during 2021 by 8.6 per cent to 20.0 million as compared to 21.9 million seats in 2020. The number of seats per passenger aircraft movement during 2021 was 146.9, a decrease of 0.2 seats or 0.1 per cent when compared to 147.1 seats per passenger aircraft movement from 2020. Load factor increased 2.6 percentage points from 60.7 per cent in 2020 to 63.3 per cent in 2021.

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



As a result of the pandemic and its impact, there was an enhanced focus on cargo flights to maintain the supply chain. 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 has been 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.

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 have had a material negative impact on the GTAA’s business and results of operations, including aeronautical and commercial revenues and AIF. Like other Canadian airports, the GTAA has taken steps to address the financial impacts, including reduction of operating costs and in planned capital spending. In addition, in the first two quarters of 2021, the GTAA had temporarily closed operating access to over 40 per cent of its terminal facilities given the reduced travel activity. Given the increase in activity over the course of the third and the fourth quarter of 2021, the GTAA has since reduced the closure of terminal spaces to approximately 20 per cent.

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.

Effective January 1, 2021, the following increases to aeronautical rates and the AIF were implemented:

- Aeronautical rates for commercial aviation increased by 3 per cent;
- The AIF for departing passengers increased by \$5 to \$30 per passenger, slightly below the average of other major Canadian airports;
- The AIF for connecting passengers increased by \$2 to \$6 per passenger; and
- 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, Management believes that these increases will contribute to the GTAA's ability to make continued investments in healthy air travel and industry recovery.

On November 4, 2021, the GTAA announced the following changes to aeronautical rates, effective January 1, 2022:

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

The pandemic has had a significant negative impact on air carriers operating at the Airport, including Toronto Pearson's key hub airlines, Air Canada and WestJet. During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with each of these carriers in part to adjust the fees paid under the agreements to reflect the reduced current and projected flight activity. Under the amended agreements, for the remainder of 2020 and the entirety of 2021, each carrier was required to pay amounts calculated on the basis of: (i) the GTAA's standard aeronautical fees plus (ii) a portion of the respective variance between the standard aeronautical fees amount and the original base fee payable under the agreements for those years. 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 contracted 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. The long-term aeronautical fees agreements with both carriers mature at the end of 2023.

Revenues

Revenues are derived from i) aeronautical fees and charges (which include landing fees, general terminal charges and apron fees), ii) AIF and iii) commercial revenues (which include car parking, ground transportation, concessions, rentals, counter fees, check-in fees, deicing facility fees and other sources). Rentals include 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. During 2020 and 2021, the GTAA has provided financial accommodation and other assistance through a number of measures including payment abatements, deferrals and contract relief through amended contracts. The GTAA has offered these arrangements to partners that are in good standing and that the GTAA believes will be critical partners following the COVID-19 pandemic. 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 the 2020 and 2021 deferred payments were paid in late 2020 and 2021, respectively, while the remaining deferrals are required to be paid over the course of 2022 and 2023. The GTAA is working with affected parties to review their situations and may consider future payment deferrals, abatements and/or adjustments as appropriate.

The following table summarizes the GTAA's consolidated revenues for the years ended December 31, 2021, 2020 and 2019.

Revenues <i>(\$ millions)</i>	2021	2020	Change ¹		2019
			\$	%	
Landing fees	247.5	248.0	(0.5)	(0.2)	324.0
General terminal charges	126.6	137.6	(11.0)	(8.0)	193.7
Aeronautical Revenues	374.1	385.6	(11.5)	(3.0)	517.7
Concessions and rentals	193.1	212.2	(19.1)	(9.0)	315.2
Car parking and ground transportation	70.3	79.6	(9.3)	(11.7)	203.3
Other	42.0	17.6	24.4	138.9	37.0
Commercial Revenues	305.4	309.4	(4.0)	(1.3)	555.5
Airport Improvement Fees	147.3	128.5	18.8	14.7	448.1
Total Revenues	826.8	823.5	3.3	0.4	1,521.3

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

Aeronautical revenues decreased 3.0 per cent to \$374.1 million during 2021, when compared to 2020, due to the amended long-term commercial agreements with the main hub air carriers that were effective since the third quarter of 2020, the pre-COVID-19 pandemic results on the first quarter of 2020 and decreases in arriving seats partially offset by the significant flight activity growth and cargo growth since the second quarter of 2021 over the same periods of 2020. Cargo revenues, which are included in aeronautical revenues, increased \$24.6 million or 147.1 per cent to \$41.4 million during 2021, when compared to 2020.

Consolidated concession and rental revenues decreased by 9.0 per cent to \$193.1 million during 2021 when compared to 2020. This decrease was mainly due to the pre-COVID-19 pandemic results on the first quarter of 2020, the reduction in passenger activity impacting retail operating performance as well as payment deferrals and contract relief resulting in reduced minimum annual guarantees ("MAG") from certain commercial counterparties offset by the significant operating activity growth in the third and fourth quarters of 2021 over the same periods of 2020. In 2021, the GTAA's concession revenues, which includes retail tenants, advertising and sponsorship partners revenues, at the Airport decreased 27.3 per cent to \$68.3 million from \$94.0 million in 2020. Rental revenues increased 5.6 per cent to \$124.8 million in 2021 from \$118.2 million in 2020. Excluding ACI revenues, rental revenues increased by 4.0 per cent to \$90.7 million during 2021 when compared to 2020.

During the 12-month period prior to the end of December 31, 2021, retail store sales per enplaned passenger at Toronto Pearson were \$21.18 versus \$21.49 in 2020, a \$0.31 or 1.4 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 either a Minimum Annual Guarantee ("MAG") or 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, however, this partially improved during the third and fourth quarters of 2021. During 2021, food and beverage business performance was up approximately 1 per cent and retail operations (excluding food and beverage) were down approximately 11 per cent, as compared to the same period of 2020. Of the 83 per cent of restaurants that remained open, self-serve stations have been eliminated, all quick-serve seating has been removed with only take-out available and limited sit-down dining restaurants are open, all adhering to COVID-19 protocols.

Car parking and ground transportation revenues decreased 11.7 per cent to \$70.3 million during 2021 when compared to 2020. The reduction was mainly due to the pre-COVID-19 pandemic results on the first quarter of 2020, reduced passenger volumes in the second quarter of 2021 due to the impacts from the pandemic, offset by operating activity growth in the third and fourth quarters of 2021. Parking volumes have decreased approximately 17 per cent during 2021 compared to 2020 in line with the reduction in passenger volumes and the closure of the value park garage and surface lots as a result of COVID-19.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 138.9 per cent to \$42.0 million during 2021, when compared to 2020. The significant increases in other revenues were primarily from the Deicing operations, the new COVID-19 testing services in 2021 and the Fire & Emergency Services Training Institute ("FESTI"). Deicing revenues increased 108.7 per cent or \$16.3 million during 2021 to \$31.3 million compared to 2020 due to the recovery of operating activity from the COVID-19 pandemic, offset by higher operating costs associated with the increased activity that are passed through to the customer. The deicing revenues are based on a cost-recovery model. FESTI revenues increased in 2021 compared to 2020 due to the four-month shutdown in 2020 as a result of the impact of COVID-19.

AIF revenue increased 14.7 per cent to \$147.3 million during 2021 compared to 2020. The increase was due to the higher proportion of origin and destination passengers versus connecting compared to 2020 and the AIF rate increase effective January 1, 2021.

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, 2021, 2020 and 2019.

Expenses (\$ millions)	2021	2020	Change ¹		2019
			\$	%	
Ground rent	64.8	15.6	49.2	315.3	170.8
PILT ²	42.3	40.3	2.0	5.0	38.4
Total ground rent and PILT	107.1	55.9	51.2	91.6	209.2
Goods and services	249.4	315.3	(65.9)	(20.9)	384.9
Salaries, wages and benefits	151.9	173.5	(21.6)	(12.4)	201.3
Total Operating Expenses before Amortization	508.4	544.7	(36.3)	(6.7)	795.4
Amortization of property and equipment, investment property and intangible assets	332.6	347.8	(15.2)	(4.4)	290.8
Total Operating Expenses	841.0	892.5	(51.5)	(5.8)	1,086.2
Interest expense on debt instruments and other financing costs, net of interest income	336.2	314.4	21.8	6.9	295.3
Total Expenses	1,177.2	1,206.9	(29.7)	(2.5)	1,381.5

¹ "% Change" and "%" are 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 progressively increasing rates with a rate of 12 per cent of Airport Revenues in excess of \$250 million. Ground rent expense increased by 315.3 per cent to \$64.8 million during 2021, when compared to 2020 due to the 2020 waiver of ground rent payments for 10 months. During the second quarter of 2021, the GTAA and the Government of Canada executed an amendment to the Ground Lease that deferred the payment of ground rent for the 2021 lease year, with repayment over a 10-year period beginning in 2024. As at December 31, 2021, \$63.5 million has been recorded as deferred ground rent payable on the consolidated statements of financial position, which represents the present value of future lease payments to take into account the time value of money. The related ground rent expense for the year has been recorded on the consolidated statements of operations and comprehensive loss.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation under the *Assessment Act*. The annual PILT is based on actual passenger volumes from two years prior and further to an amendment to the regulation, the maximum annual increase of 5.0 per cent under the regulation is temporarily suspended beginning in 2022 until Toronto Pearson's passenger volumes return to 2019 levels. The PILT expenditure increased 5.0 per cent to \$42.3 million during 2021, when compared to 2020 as it was based on 2019

passenger levels. ACI pays municipal real property taxes in the ordinary course of business as the investment properties acquired by ACI are not used directly for Airport operations.

Expenditures for goods and services decreased 20.9 per cent or \$65.9 million to \$249.4 million during 2021, when compared to 2020. A significant driver of the reduced costs was the lower allowance for bad debt which was \$33,000 in 2021 as compared to \$18.5 million in 2020. There was a reduction in snow removal costs as a result of milder winter weather conditions in the first quarter of 2021, and lower repairs and maintenance. The GTAA also incurred lower expenditures due to measures that the GTAA implemented starting in March 2020 as a result of the impacts from the COVID-19 pandemic, including a reduction in costs related to passenger and baggage flow, temporarily closing operating access to its terminal facilities and reductions in various contract service levels and discretionary costs.

Salaries, wages and benefits decreased 12.4 per cent or \$21.6 million to \$151.9 million during 2021, when compared to 2020. The decrease was primarily due to the 2020 workforce reduction and its related severances, the hiring freeze in place since March 2020 and a decrease in seasonal workers, all due to the impacts of the COVID-19 pandemic. This decrease was offset by lower relief from the federal government's wage subsidy through the CEWS program in 2021 compared to 2020. For the year ended December 31, 2021, \$27.0 million (December 31, 2020 – \$46.4 million) was recorded on the consolidated statements of operations and comprehensive loss as a reduction of salary, wages and benefits, and \$1.6 million (December 31, 2020 – \$2.6 million) was recorded against capitalized salaries, wages and benefits in property and equipment on the consolidated statements of financial position.

Amortization of property and equipment, investment property and intangible assets decreased 4.4 per cent to \$332.6 million during 2021, when compared to 2020. This decrease was mainly due to a reduction to the depreciable asset base partially offset by the 2020 change in estimated useful life of certain assets.

Interest expense and other financing costs, net of interest income, increased by 6.9 per cent to \$336.2 million during 2021, when compared to 2020. The increase was due to the incremental debt incurred in 2020 resulting in the issuance of Series 2020-1 MTNs, lower capitalized interest as a result of significantly lower 2021 capital expenditures, and lower interest income from lower interest rates in 2021, all due to the impact from the COVID-19 pandemic.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the years ended December 31, 2021, 2020 and 2019.

Net Operating Results	2021	2020	Change ¹		2019
			\$	%	
<i>(\$ millions)</i>					
Net (Loss) Income	(350.4)	(383.4)	33.0	8.6	139.8
Add: Interest and financing costs, net	336.2	314.4	21.8	6.9	295.3
(Loss) Earnings Before Interest, net	(14.2)	(69.0)	54.8	79.4	435.1
Add: Amortization ²	332.6	347.8	(15.2)	(4.4)	290.8
EBITDA ³	318.4	278.8	39.6	14.2	725.9
EBITDA Margin	38.5 %	33.9 %		4.6 pp	47.7 %

¹ "% Change" and "%" are 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 2021, the GTAA incurred a net loss of \$350.4 million, an increase in operating results of \$33.0 million when compared to the net loss of \$383.4 million in 2020. The increase in operating results was due to measures taken by the GTAA to lower costs such as the 2020 workforce reduction, the hiring freeze, reduction of operating expenses and temporarily closing operating access to its terminal facilities offset by lower cost savings from the CEWS program in 2021.

Earnings before interest and financing costs and amortization ("EBITDA") increased 14.2 per cent to \$318.4 million during 2021, when compared to 2020. The EBITDA margin increased by 4.6 percentage points to 38.5 per cent during 2021, when compared to 2020. The increase in EBITDA and EBITDA margins were mainly due to the cost savings

mentioned above. EBITDA is a non-GAAP financial measure. Refer to section “Non-GAAP Financial Measures” of this MD&A for additional information.

Summary of Quarterly Results

Select unaudited consolidated quarterly financial information for the eight quarters ended March 31, 2020 through December 31, 2021, is set out in the following table.

	Quarter Ended							
	2021				2020			
(\$ millions) ¹	Dec	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Revenues	275	246	154	152	151	148	186	339
Operating expenses (excluding amortization) ²	157	125	109	117	102	138	121	184
Amortization ²	81	90	82	80	89	100	84	74
Earnings (Loss) before interest and financing costs, net	37	31	(37)	(45)	(40)	(90)	(19)	81
Interest and financing costs, net	84	89	81	82	77	87	77	74
Net (Loss) Income	(47)	(58)	(118)	(127)	(117)	(177)	(96)	7

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

² Amortization means amortization of property and equipment, investment property and intangible assets.

The GTAA’s quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors and given the material impact of the COVID-19 pandemic on the GTAA’s business and results of operations, the historical quarterly results cannot be relied upon to determine future trends. In respect of the third and fourth quarters of 2021, the impact of the pandemic was less severe and showed signs of improvement when compared to the same periods in 2020.

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 expected capital spending in 2021.

During 2021, the GTAA funded capital investments primarily through proceeds from short-term borrowings but later converted the debt to long-term MTNs. The GTAA may access the capital markets as required to fund future capital spend.

Transport Canada announced on March 14, 2022 up to \$142.0 million in new funding under ACIP and the Airport Biosecurity Infrastructure Stream. The funding will be used for airside restoration, to develop and install a new check-in service, boarding and border clearance systems, and to improve COVID-19 screening of staff and passengers. The funding will also be used to conduct studies and develop a concept to connect Toronto Pearson with the future extension of the Eglinton Crosstown LRT.

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

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

Airside Pavement Restoration Program – Over the next three years, the 2020–2024 Airside Pavement Restoration Program will restore an estimated 1.5 million square metres 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 the pandemic, the program was reviewed and reduced in order to continue to comply with operational and regulatory requirements. From the inception of the Airside Pavement Restoration Program to December 31, 2021, the GTAA has expended \$55.3 million. During 2021, the GTAA expended \$19.7 million as part of restoration construction work for several taxiways.

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 Canadian Air Transport Security Authority ("CATSA") and Canada Border Services Agency ("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 the pandemic, this project was reviewed, continued as planned given the advanced stages of construction and was substantially completed during the fourth quarter of 2021. From the inception of the Terminal 1 Concourse F Sectorization to December 31, 2021, the GTAA has expended \$120.7 million. During 2021, the GTAA expended \$24.8 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 the pandemic, 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, 2021, the GTAA has expended \$200.0 million. During 2021, the GTAA expended \$3.9 million.

Biosecurity-enabled Check-In and Boarding Processing – The check-in and boarding systems at Toronto Pearson constitute an integral part of the passenger journey and involve multiple touchpoints. These existing systems have reached the end-of-support-life stage and must be replaced. Additionally, current systems do not support new and critical touchless processes and safe travel solutions for all passengers, and as a result, the GTAA is seeking to procure and implement a next-generation check-in solution as a replacement. From the inception in early 2021 of the Biosecurity-enabled Check-In and Boarding Processing project to December 31, 2021, the GTAA has expended \$1.3 million.

Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance – In the fall of 2019, the GTAA and CBSA undertook an innovative and comprehensive passenger-centric project called "Reimagining Arrivals" to review and prototype different approaches and technology for the CBSA border clearance processes. At that time, both organizations agreed on the critical need for a path forward to transform the arriving and connecting CBSA border clearance process in the air environment. The process will be modernized through technology while at the same time meeting the new needs of a Healthy Airport by delivering "no-touch"/reduced touch processing and maximizing passenger flow. From the inception in early 2021 of the Border Modernization project to December 31, 2021, the GTAA has expended \$4.2 million.

Transit Planning and Development ("TPD") – Since 2017, the GTAA has been working closely with Metrolinx and other transit agencies on improved transit access to Toronto Pearson. These improvements include:

- Service and related infrastructure enhancements to the UP Express;
- Planned Eglinton Crosstown West expansion LRT to Toronto Pearson;
- Possible future connection of the Finch LRT to Toronto Pearson; and
- Bus service improvements.

Given the impacts from the pandemic, the state of the aviation industry and the uncertainty of travel demand, the GTAA has suspended any further internal expenditures on TPD, however, the Company continues to cooperate with the relevant transit agencies and various levels of government. A portion of the ACIP funding will be used to conduct studies and develop a concept to connect Toronto Pearson with the future extension of the Eglinton Crosstown LRT.

Terminal 3 Arrivals & Transfer Facility ("T3ATF") – The T3ATF project will be designed to provide connection process parity between Terminal 1 and Terminal 3. A separate transfer facility in Terminal 3 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 baggage 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 to maintain physical distance and will incorporate 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 the pandemic. In the meantime, the GTAA is in the process of designing a temporary facility ("T-SPIL") to address the connection disparity between the two terminals until the post-pandemic passenger recovery allows the GTAA to revisit the original plans of the T3ATF.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2021, 2020 and 2019, are set out in the following table.

<i>(\$ millions)</i>	2021	2020	Change 2021 – 2020	2019
Total assets	6,615.8	6,685.5	(69.7)	6,583.4
Total liabilities	7,562.4	7,288.2	274.2	6,806.9
Deficit and accumulated other comprehensive loss	(946.6)	(602.7)	(343.9)	(223.5)

At December 31, 2021, when compared to December 31, 2020, the GTAA's total assets decreased by \$69.7 million primarily due to decreases of \$196.9 million in property and equipment (net book value) related to fully amortized assets, \$28.8 million in ground rent receivable and \$13.1 million in investment property partially offset by an increase of \$155.0 million in cash. The GTAA's total liabilities increased by \$274.2 million primarily due to the issuance of \$400.0 million Series 2021-1 MTNs on October 5, 2021 whose proceeds were partially used to repay the outstanding \$170.0 million of commercial paper, and a \$63.5 million increase in deferred ground rent payable. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of \$946.6 million at December 31, 2021, as reported on the condensed consolidated statements of financial position, has increased due to the impacts of the COVID-19 pandemic on passenger and flight activities and the results from operations.

On August 17, 2021, the GTAA purchased a buy-in annuity contract from an insurer for the retirees and surviving spouses of its defined benefit pension plan. The GTAA benefits through this annuity purchase by removing investment, market and discount rate risks, as well as longevity risk, and transferring them to the insurer. While the annuity was purchased at a discount to the solvency liability for this group, the price exceeded the group's accounting obligation, resulting in an other comprehensive loss of \$23.0 million to the plan's assets. This adjustment has been recorded in accordance with International Accounting Standard 19, Employee benefits.

Restricted Funds <i>(\$ millions)</i>	2021	2020	Change 2021 - 2020	2019
Debt Service Fund	71.0	68.8	2.2	68.8
Debt Service Reserve Funds	351.6	349.0	2.6	347.4
Total MTI Restricted Funds	422.6	417.8	4.8	416.2

As shown in the table above, total restricted funds increased slightly from \$417.8 million in 2020 to \$422.6 million in 2021 due to the GTAA's issuance of the Series 2021-1 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 amendments temporarily exempt the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI for 2020, 2021 and 2022, 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:

<i>(\$ millions)</i>	2021	2020	Change	2019
Cash flows from operating activities	429.4	169.5	259.9	729.1
Capital expenditures ¹ - property and equipment	(142.9)	(342.0)	199.1	(421.9)
Capital expenditures ¹ - investment property	(1.7)	(13.6)	11.9	(6.6)
Interest paid and other financing costs, net ²	(331.1)	(327.0)	(4.1)	(300.8)
Free Cash Flow ³	(46.3)	(513.1)	466.8	(0.2)
Increase in restricted funds	(4.8)	(1.6)	(3.2)	(27.5)
Borrowings (Repayments), net	206.1	587.6	(381.5)	35.4
Net Cash Inflow/(Outflow)	155.0	72.9	82.1	7.7

	At December 31			
	2021	2020	Change	2019
Total Debt	7,213.7	7,002.8	210.9	6,411.7
Cash	258.2	103.2	155.0	30.3
Restricted funds	422.6	417.8	4.8	416.2
Net Debt ⁴	6,532.9	6,481.8	51.1	5,965.2

Key Credit Metrics (\$)				
Total Debt/Enplaned Passenger ⁵	1,136	1,052	8.0 %	254
Net Debt ⁴ /Enplaned Passenger ⁵	1,029	974	5.6 %	236

⁽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, 2021.

⁽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".

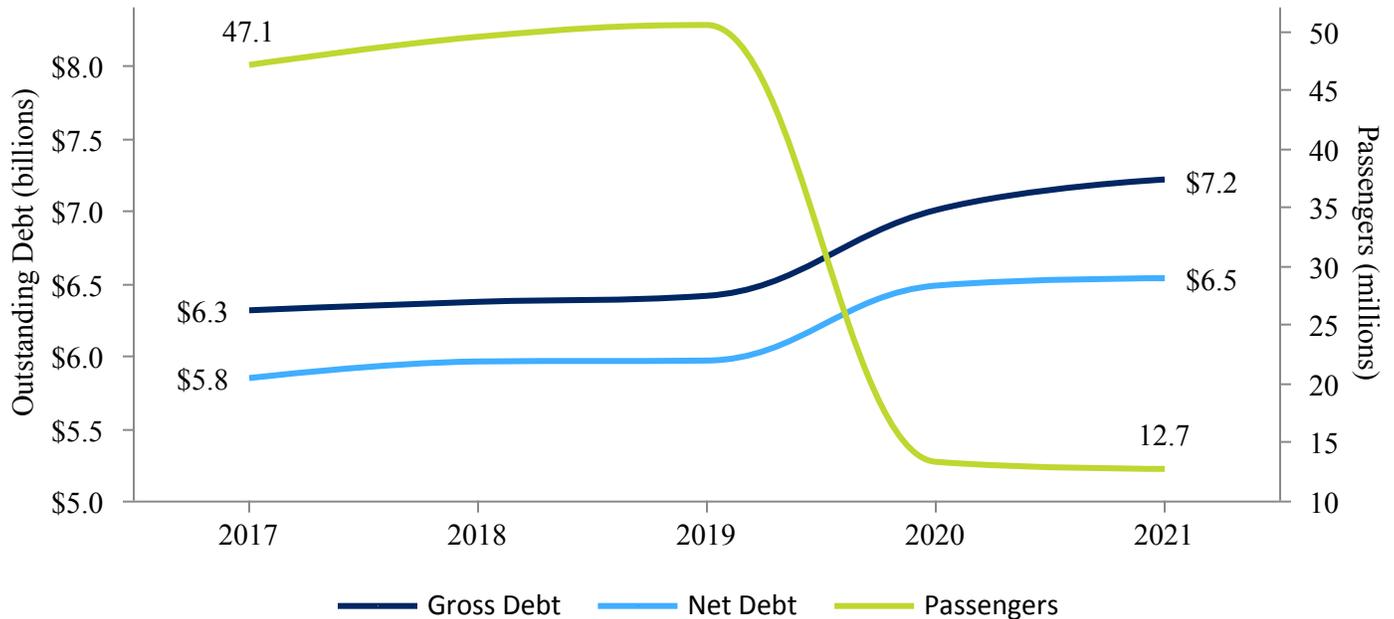
⁽⁴⁾ Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

⁽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 increased by \$259.9 million to \$429.4 million during 2021, when compared to 2020, primarily due to measures taken by the GTAA to lower costs such as the 2020 workforce reduction, the hiring freeze, lower operating costs and temporarily closing operating access of its terminal facilities. The free cash flow deficit decreased by \$466.8 million during 2021, when compared to 2020, primarily driven by the significant increase in cash flows from operations due to the reasons mentioned above and lower capital expenditures in 2021 when compared to 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 \$82.1 million to \$155.0 million due to the reasons discussed above offset by lower borrowings, net of repayments, during 2021 when compared to 2020.

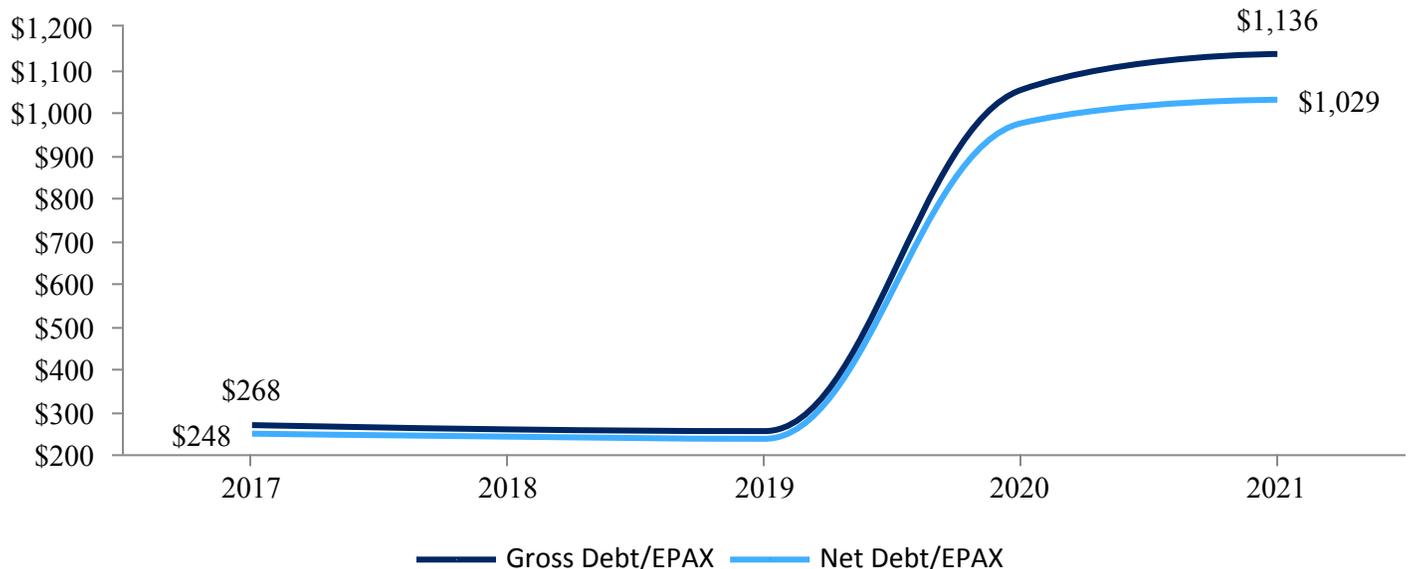
Gross Debt increased by \$210.9 million to \$7.2 billion as at December 31, 2021 when compared to December 31, 2020 due to incremental borrowings, net of repayments, from the impact of the COVID-19 pandemic. Net Debt increased by \$51.1 million to \$6.5 billion as at December 31, 2021 when compared to December 31, 2020 due to the increase in gross debt offset by an increase in cash by \$155.0 million. 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 \$6.3 billion in 2017 to \$7.2 billion in 2021 and an increase in net debt from \$5.8 billion in 2017 to \$6.5 billion in 2021, primarily due to the impacts of the COVID-19 pandemic.



The GTAA's total debt per enplaned passenger, one of the airport industry's key financial metrics, increased from \$268 in 2017 to \$1,136 in 2021, and net debt per enplaned passenger increased from \$248 in 2017 to \$1,029 in 2021. The GTAA's debt per enplaned passenger had been on a downward trajectory over the last several years, however, has increased significantly in 2020 and 2021 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.

Debt per Enplaned Passenger



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

The objective of the GTAA's investment and cash management strategy is to ensure adequate liquidity so that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit these impacts which include extending the commitments available under its revolving credit facility to 2024 to provide additional flexibility; and reducing and/or deferring operational and capital expenditures. The GTAA's net liquidity position (including cash) as at December 31, 2021 was approximately \$1.7 billion. The GTAA has a current internal financial risk policy that includes a statement that the GTAA will always maintain a minimum available liquidity of at least \$200.0 million. During the MTI covenant exemption period, the GTAA will, within five days of the end of each quarter, publish on the GTAA's website if such available liquidity at the end of a quarter is below \$200.0 million. 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 significant loss during 2021 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 to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. Refer to the "Results of Operations (Revenues)" section for further details. 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+" with a negative outlook and "Aa3" with a stable outlook, respectively. On September 20, 2021, S&P reaffirmed the GTAA's credit rating of A+ and revised the outlook from negative to stable. On December 14, 2021, Moody's reaffirmed the GTAA's credit rating of Aa3 and revised the outlook from negative to stable.

The GTAA's 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 21, 2021.

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 the COVID-19 pandemic on the Company. Refer to the "Risk Factors" section of this MD&A. The GTAA's Annual Information Form for the year ended December 31, 2021 contains more detailed information about the GTAA's credit ratings.

As at December 31, 2021, the GTAA had borrowing capacity under its Operating Credit Facility available of \$1.4 billion (\$nil outstanding CP to backstop), available capacity under its Letter of Credit Facility of \$67.7 million and unrestricted cash of \$258.2 million, for an aggregate of \$1.7 billion in total available liquidity. The unrestricted cash was invested in short-term highly liquid investment instruments in line with the GTAA's Investment Policy and the MTI.

On July 21, 2021, the GTAA completed two amendments of its MTI: 1) relieving the GTAA from complying with the Rate Covenant prescribed under the MTI, which is comprised of two financial tests, for fiscal year 2022; and 2) permitting the GTAA to create any guarantee or to make or maintain any investment, provided that the aggregate cost basis of such guarantees and investments amounts to no more than the greater of 3.0 per cent of the GTAA's total assets and \$200.0 million and no default or event of default exists or would exist as a result thereof. As at December 31, 2021, no guarantees or investments were made under this amendment. The exemption was sought out to allow the GTAA a scope by which it can diversify its revenue streams.

On October 5, 2021, the GTAA issued \$400.0 million Series 2021-1 MTNs due October 5, 2051 at a coupon rate of 3.15 per cent for net proceeds of \$397.3 million. The net proceeds were primarily used to repay CP.

December 31, 2021

December
31, 2020**Liquidity and Credit Facilities** (\$ millions)

Source	Currency	Expiry	Size	Drawn / CP Backstop	Available	Available
Cash and cash equivalents	CAD				258.2	103.2
Credit facilities:						
1) Operating Credit Facility ^{1,2}	CAD	May 31, 2024	1,400.0	—	1,400.0	1,400.0
Commercial paper backstop ²				—	—	(170.0)
Available for general use					1,400.0	1,230.0
2) Letter of Credit Facility	CAD	May 31, 2022	150.0	82.3	67.7	40.8
			1,550.0	82.3	1,467.7	1,270.8
Total net liquidity (including cash)					1,725.9	1,374.0
3) Hedge Facility ³	CAD	Per contract	150.0	—	150.0	150.0
Total credit facilities and cash			1,700.0	82.3	1,875.9	1,524.0

¹ The Operating Credit Facility is a committed bank facility which is revolving in nature. On July 16, 2021, the operating credit facility was extended to May 31, 2024.

² At December 31, 2021, \$nil outstanding CP to backstop.

³ The hedge facility is a non-cash facility and allows the Corporation to enter into derivative transactions. Any amounts reported represent 'mark-to-market' losses on outstanding contracts.

The GTAA maintains the credit facilities set out in the above table. These facilities rank *pari passu* with outstanding debt under the MTI by way of a pledged bond issued to the banking syndicate. The Operating Credit Facility and the Letter of Credit Facility can be extended annually for one additional year with lenders' consent. On July 16, 2021, the GTAA extended its committed revolving Operating Credit Facility by an additional year to May 31, 2024. Concurrent with the extension, the credit facility syndicate also approved both the exemption from complying with the MTI Rate Covenant for fiscal year 2022, and the amendment on the limitation on guarantees and investments.

The \$1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility. As at December 31, 2021, no CP was outstanding, no amounts were drawn from the Operating Credit Facility, \$82.3 million of the \$150.0 million Letter of Credit Facility was utilized, and there were no outstanding contracts under the \$150.0 million hedge facility.

As at December 31, 2021, the GTAA had a working capital deficiency of \$277.7 million, computed by subtracting current liabilities from current assets. This was primarily due to the reallocation of \$388 million of long-term debt to current liabilities from Series 2012-1 MTNs due September 22, 2022. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. Given the GTAA's total available liquidity of \$1.7 billion, Management believes that the available credit under the Operating Credit Facility, its cash flows from operations, cash-on-hand and the GTAA's ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities as they come due.

The following table analyzes the GTAA's short- and long-term contractual obligations in nominal dollars as at December 31, 2021 by relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the aggregate contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. The debt obligations include both principal and interest cash flows.

Contractual Obligations <i>(\$ millions)</i>	Payments Due by Period				
	Total	Less than 1 year	1 year to 3 years	4 years to 5 years	Thereafter
Accounts payable and accrued liabilities	187.4	187.4	—	—	—
Purchase obligations ¹	469.1	149.7	198.3	85.2	35.9
Long-term debt principal	7,186.1	410.0	48.4	54.8	6,672.9
Interest payable on long-term debt	4,299.4	335.8	643.6	637.2	2,682.8
	12,142.0	1,082.9	890.3	777.2	9,391.6

¹ Purchase obligations include commitments for goods and services contracts as at December 31, 2021 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 \$119.7 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, 2021 of approximately \$119.7 million, as compared to \$157.8 million at December 31, 2020. In the short-term, 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 financial tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets.

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, on July 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 financial tests, for fiscal years 2020 and 2021. On July 21, 2021, the GTAA also completed another amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022. 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. For the fiscal year ended 2021, the GTAA's operating covenant ratio measured at 97.6 per cent compared to the minimum requirement of 100 per cent, and the debt service covenant ratio measured at 58.0 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 year 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 Notes 2 and 3, respectively, of the Consolidated Financial Statements as at December 31, 2021 and 2020. These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, MGI and ACI. All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

The GTAA has adopted the following amendments effective January 1, 2021. These changes were made in accordance with the applicable transitional provisions.

a) *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, originally due on or before June 30, 2021. In March 2021, the IASB issued an amendment to extend the practical expedient to any reduction in lease payments due on or before June 30, 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The early adoption of these amendments did not have an impact on the consolidated financial statements.

b) *Agenda Decision on Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38, Intangible Assets):*

The IFRS Interpretations Committee issued an agenda decision on configurations or customizations in cloud computing arrangements. The interpretation provides a framework to assess whether these costs can be capitalized as an intangible asset, capitalized as a prepayment or expensed when incurred. The agenda decision does not have a formal effective

date and permits an entity to have sufficient time to make determinations and implement changes. As such, the GTAA continues to assess the impact on the consolidated financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

This standard was amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an “onerous contract” is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendment is effective for annual periods beginning on or after January 1, 2022. This amendment will not have a material impact on the consolidated financial statements.

b) *Amendment to IAS 16, Property, Plant and Equipment:*

This standard was amended to (i) prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, (ii) clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. The amendment is effective for annual periods beginning on or after January 1, 2022. This amendment will not have a material impact on the consolidated financial statements.

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

This amendment states that an entity shall classify a liability as current when it does not have the right at the end of reporting period to defer settlement of liability for at least 12 months after the reporting period. The entity is required to disclose information about the timing of settlement to enable users of the financial statements to understand the impact of the liability on the entity's financial position. The amendment is effective for annual periods beginning on or after January 1, 2023. The GTAA continues to assess the impact on the consolidated financial statements.

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

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The GTAA continues to assess the impact on the consolidated financial statements.

RELATED PARTY TRANSACTIONS

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

The Government of Canada and its respective government-related entities are considered related parties for accounting purposes only due to their ability to nominate Members, and due to the material nature of the Ground Lease. 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, 2021 and 2020 under Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority, Note 12, 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, 2021, the GTAA had normal course transactions with Key Management personnel in the ordinary course of their employment with the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of Management under applicable securities policies. In this respect, the GTAA only had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as an independent Director.

INTERNAL CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

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

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 year. Management will continue to monitor and assess controls.

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

Management's Report on Disclosure Controls and Procedures

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at December 31, 2021, that such disclosure controls and procedures were effective.

Management's Report on Internal Controls over Financial Reporting

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control — Integrated Framework (2013)*. Based on that evaluation, Management and the CEO and CFO have concluded that, as at December 31, 2021, 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, 2021 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 the COVID-19 pandemic including on the long-term financial sustainability of the Airport; expected domestic and international passenger traffic and cargo; expected return to pre-COVID-19 passenger and flight levels; investment in the Airport including with respect to capital projects and physical infrastructure; future Airport demand or activity; the GTAA's borrowing requirements and its ability to access the capital markets; the GTAA's ability to comply with covenants; debt levels and service costs; revenues, cash flows, working capital and liquidity and no funding shortfalls; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; budgets and expenditures relating to capital programs and the funding of such programs; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport; the use of certain restricted reserve funds; and the funding of outstanding capital commitments.

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 travellers; no other significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; the GTAA will be able to access the

capital markets at competitive terms and rates; and no significant cost overruns relating to capital projects will occur. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

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

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

**Consolidated Financial Statements
of the Greater Toronto Airports Authority**

December 31, 2021 and 2020





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, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in deficit and accumulated other comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 24, 2022

Management's Responsibility for Financial Reporting

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

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

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



Deborah Flint

President and Chief Executive Officer



Ian Clarke

Chief Financial Officer

Greater Toronto Airports Authority

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	2021	2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	258,194	103,173
Restricted funds (Note 6)	83,223	68,760
Accounts receivable (Note 7)	99,202	93,131
Ground rent receivable (Note 19)	—	28,848
Inventory	14,334	14,471
Prepays	5,904	6,444
	460,857	314,827
Non-current assets		
Restricted funds (Note 6)	339,424	349,073
Intangibles and other assets (Note 8)	153,553	151,069
Property and equipment (Note 9)	5,126,776	5,323,685
Investment property (Note 10)	469,475	482,572
Post-employment benefit asset (Note 13)	65,734	64,235
	6,615,819	6,685,461
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 18)	187,427	193,021
Security deposits and deferred revenue	72,248	62,606
Long-term debt and commercial paper (Note 11)	478,896	252,004
	738,571	507,631
Non-current liabilities		
Deferred credit (Note 8)	8,992	11,194
Post-employment benefit liabilities (Note 13)	10,163	12,200
Long-term debt and credit facilities (Note 11)	6,734,771	6,749,083
Deferred ground rent payable (Note 19)	63,507	—
Other liabilities	6,390	8,090
	7,562,394	7,288,198
Deficit and Accumulated Other Comprehensive Loss	(946,575)	(602,737)
	6,615,819	6,685,461

Commitments and contingent liabilities (Note 15)

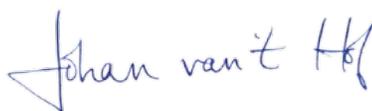
The accompanying notes are an integral part of these consolidated financial statements.

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

Years Ended December 31 (in thousands of Canadian dollars)	2021	2020
	\$	\$
Revenues (Note 17)		
Landing fees	247,491	247,972
General terminal charges	126,632	137,661
Airport improvement fees	147,312	128,476
Car parking and ground transportation	70,228	79,566
Concessions	68,316	94,027
Rentals	124,804	118,175
Other	42,005	17,585
	826,788	823,462
Operating Expenses		
Ground rent (Notes 1 and 12)	64,779	15,597
Goods and services (Note 20)	249,408	315,340
Salary, wages and benefits (Note 22)	151,932	173,523
Payments-in-lieu of real property taxes	42,317	40,301
Amortization of property and equipment (Note 9)	303,138	324,912
Amortization of intangibles (Note 8)	15,631	11,588
Amortization of investment property (Note 10)	13,827	11,241
	841,032	892,502
Loss before interest and financing costs, net	(14,244)	(69,040)
Interest income	4,847	10,021
Interest expense on debt instruments and other financing costs	(340,994)	(324,401)
Interest and financing costs, net (Note 11)	(336,147)	(314,380)
Net Loss	(350,391)	(383,420)
Items that will be reclassified subsequently to Net Loss:		
Amortization of terminated hedges and interest rate swap	1,394	1,394
Items that will not be reclassified subsequently to Net Loss:		
Pension and non-pension remeasurements, net (Note 13)	5,159	2,816
Other Comprehensive Income	6,553	4,210
Total Comprehensive Loss	(343,838)	(379,210)

Related party transactions (Note 14)

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

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)

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)	2021	2020
Cash Flows from (used in) Operating Activities	\$	\$
Net Loss	(350,391)	(383,420)
Adjustments for:		
Amortization of property and equipment	303,138	324,912
Amortization of intangibles and other assets	20,727	16,684
Amortization of investment property	13,827	11,241
Net loss on disposal of property and equipment and intangible assets	147	106
Post-employment benefit plans	1,624	2,118
Interest and financing costs, net	336,147	314,380
Amortization of deferred credit	(2,202)	(2,202)
Changes in working capital and other:		
Accounts receivable	(6,071)	(6,390)
Prepays	540	(65)
Ground rent receivable	28,848	(26,598)
Inventory	137	(2,055)
Accounts payable and accrued liabilities	11,450	(65,103)
Security deposits and deferred revenue	9,642	(22,186)
Ground rent deferred payable	63,507	—
Other liabilities	(1,700)	8,090
	429,370	169,512
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	(142,851)	(341,995)
Acquisition and construction of investment property	(1,696)	(13,708)
Proceeds on disposal of property and equipment	72	186
Increase in restricted funds	(4,814)	(1,632)
	(149,289)	(357,149)
Cash Flows from (used in) Financing Activities		
Issuance of medium-term notes, net of issuance costs	396,605	497,043
Repayment of medium-term notes and long-term debt	(20,690)	(19,436)
(Repayment) Issuance of commercial paper	(169,904)	109,970
Interest paid and other financing costs, net	(331,071)	(327,016)
	(125,060)	260,561
Net Cash Inflow	155,021	72,924
Cash and cash equivalents, beginning of year	103,173	30,249
Cash and cash equivalents, end of year	258,194	103,173

As at December 31, 2021, cash and cash equivalents consisted of cash of \$87.2 million (December 31, 2020 – \$12.2 million), cash equivalents of \$171.0 million (December 31, 2020 – \$91.1 million) less outstanding cheques of \$nil (December 31, 2020 – \$0.1 million).

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

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

1. GENERAL INFORMATION

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

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

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

Airport Subject to Ground Lease

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

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

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

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

Ground rent is calculated as a percentage of Airport Revenue, as defined by the Ground Lease and related documents, using escalating percentages with the following ranges: 0 per cent for Airport Revenue below \$5.0 million, 1 per cent for Airport Revenue between \$5.0 million and \$10.0 million, 5 per cent for Airport Revenue between \$10.0 million and \$25.0 million, 8 per cent for Airport Revenue between \$25.0 million and \$100.0 million, 10 per cent for Airport Revenue between \$100.0 million and \$250.0 million, and 12 per cent for Airport Revenue in excess of \$250.0 million. The calculation of Airport Revenue is subject to audit by Transport Canada. See Note 19, Ground Rent and Note 12, Leases, for additional information.

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

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These consolidated financial statements were approved by the Board of Directors on March 24, 2022.

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.

Cash and Cash Equivalents

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

Inventory

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

Financial Instruments

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

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

- (i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:
 - (a) the financial asset is held in order to collect contractual cash flows; and
 - (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (ii) Fair value through other comprehensive income: A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:
 - (a) the financial asset is held to collect contractual cash flows and selling financial assets; and
 - (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.
- (iii) Fair value through profit or loss ("FVPL"): A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.
- (iv) Financial liabilities: Financial liabilities at amortized cost include accounts payable and accrued liabilities, security deposits and long-term debt. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost using the effective interest method. Long-term debt, however, is recognized initially at fair value, net of any transaction costs incurred and discounts/premiums, and subsequently recorded at amortized cost using the effective interest method.

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

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

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

As at December 31, 2021, 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 over the term to maturity of the previously hedged item (see Note 16, Financial Instruments).

Impairment of Financial Assets

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

Impairment of Long-lived Assets

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

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

Leases

GTAA as a Lessee

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

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

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

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

GTAA as a Lessor

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

In arrangements where the GTAA sub-leases an asset to a third party, the GTAA classifies the sub-lease as a finance lease if it transfers a significant portion of the risks and rewards of ownership of the right-of-use asset to the lessee. For

finance sub-leases, the GTAA derecognizes the right-of-use asset relating to the head lease and recognizes a receivable at an amount equal to the net investment in the sub-lease. The GTAA does not have any finance leases as a lessor.

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

Intangibles and Other Assets

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

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

Property and Equipment

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

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

Property and equipment are amortized at the following annual rates:

Buildings and structures ("Terminal and Airside assets")	Straight-line over two to 60 years
Bridges and approach systems ("Terminal and Airside assets")	Straight-line over 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.

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

Revenue Recognition

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

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

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

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

Provisions

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

Deferred Financing Costs

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

Government Grants

In accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, a government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Government grants are deferred when received and recognized in consolidated statements of operation and comprehensive loss 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

Changes in Accounting Policy and Disclosures

The GTAA has adopted the following amendments effective January 1, 2021. These changes were made in accordance with the applicable transitional provisions.

a) 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, originally due on or before June 30, 2021. In March 2021, the IASB issued an amendment to extend the practical expedient to any reduction in lease payments due on or before June 30, 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The early adoption of these amendments did not have an impact on the consolidated financial statements.

b) Agenda Decision on Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38, Intangible Assets):

The IFRS Interpretations Committee issued an agenda decision on configurations or customizations in cloud computing arrangements. The interpretation provides a framework to assess whether these costs can be capitalized as an intangible asset, capitalized as a prepayment or expensed when incurred. The agenda decision does not have a formal effective date and permits an entity to have sufficient time to make determinations and implement changes. As such, the GTAA continues to assess the impact on the consolidated financial statements.

Accounting Standards Issued but not yet Applied

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

This standard was amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an “onerous contract” is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendment is effective for annual periods beginning on or after January 1, 2022. This amendment will not have a material impact on the consolidated financial statements.

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

This standard was amended to (i) prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, (ii) clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. The amendment is effective for annual periods beginning on or after January 1, 2022. This amendment will not have a material impact on the consolidated financial statements.

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

This amendment states that an entity shall classify a liability as current when it does not have the right at the end of reporting period to defer settlement of liability for at least 12 months after the reporting period. The entity is required to disclose information about the timing of settlement to enable users of the financial statements to understand the impact of the liability on the entity's financial position. The amendment is effective for annual periods beginning on or after January 1, 2023. The GTAA continues to assess the impact on the consolidated financial statements.

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

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The GTAA continues to assess the impact on the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Critical Judgements in Applying Accounting Policies

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

Property and Equipment, Intangibles, Other Assets and Investment Property

Critical judgements are utilized in determining amortization rates, useful lives and whether impairments are necessary for items of property and equipment, intangibles, other assets and investment property.

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

Expected Credit Loss Provision

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

IFRIC 12, Service Concession Arrangements

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

Leases

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

Key Source of Estimation Uncertainty

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

Post-employment Benefit Obligations

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

Airport Improvement Fees

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

6. RESTRICTED FUNDS

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("MTI") dated December 2, 1997, as supplemented or amended from time to time, or Medium-Term Note ("MTN") offering documents, 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	2021	2020
	\$	\$
Debt Service Fund		
Principal	9,183	8,627
Interest	61,863	60,133
	71,046	68,760
Debt Service Reserve Funds		
Revenue Bonds		
Series 1997-3 due December 3, 2027	36,750	36,773
Series 1999-1 due July 30, 2029	40,053	40,057
Medium-Term Notes		
Series 2000-1 due June 12, 2030	38,639	38,742
Series 2001-1 due June 4, 2031	35,222	35,637
Series 2002-3 due October 15, 2032	38,218	38,215
Series 2004-1 due February 2, 2034	38,680	38,711
Series 2010-1 due June 7, 2040	22,622	22,839
Series 2011-1 due February 25, 2041	31,898	31,922
Series 2011-2 due December 2, 2041	18,190	18,326
Series 2012-1 due September 21, 2022	12,177	12,317
Series 2018-1 due June 1, 2037	8,202	8,296
Series 2019-1 due April 3, 2029	6,863	6,928
Series 2019-2 due October 17, 2039	12,394	12,395
Series 2020-1 due May 3, 2028	3,855	3,855
Series 2021-1 due October 5, 2051	6,310	—
Security for Bank Indebtedness		
Series 1997-C Pledged Bond	1,528	4,060
	351,601	349,073
	422,647	417,833
Less: Current portion	(83,223)	(68,760)
	339,424	349,073

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

	2021	2020
	\$	\$
Cash	30,830	28,200
Guaranteed Investment Certificates	391,817	389,633
	422,647	417,833

Trust Funds

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

(a) Debt Service Fund (Principal and Interest)

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

On a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. During 2021, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2021 was \$9.2 million (December 31, 2020 – \$8.6 million). During 2021, principal of \$20.7 million (December 31, 2020 – \$19.4 million) was paid from the Principal Account of the Debt Service Fund, and \$21.3 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999-1 and MTNs (December 31, 2020 – \$19.9 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, 2021 was \$61.9 million (December 31, 2020 – \$60.1 million).

(b) Debt Service Reserve Funds

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

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

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

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, 2021, this fund was secured by a letter of credit of \$76.0 million (December 31, 2020 – \$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, 2020 – \$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	2021	2020
	\$	\$
Trade accounts receivable	99,913	84,599
Canada Emergency Wage Subsidy receivable (Note 22)	—	16,619
Other receivables	5,174	10,808
Less: Expected credit loss allowance	(5,885)	(18,895)
	99,202	93,131

Included in trade accounts receivable and other receivables is \$1.7 million due from Canadian Air Transportation Security Authority (December 31, 2020 – \$3.3 million) which is a related party for accounting purposes. No provision has been made against these receivables. See Note 14, Related Party Transactions.

8. INTANGIBLES AND OTHER ASSETS

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

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

The aggregate amortization expense with respect to land acquisition costs for 2021 was \$1.1 million (2020 – \$1.1 million) and is included in ground rent expense in the consolidated statements of operations and comprehensive loss.

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

	Land Acquisition Costs	Computer Software	Total
	\$	\$	\$
Balance, January 1, 2021	38,358	92,231	130,589
Additions	—	23,211	23,211
Amortization expense	(1,067)	(15,631)	(16,698)
Balance, December 31, 2021	37,291	99,811	137,102
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

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

The carrying value of the CES Contract, which was valued at \$44.7 million in 2006, is being amortized on a straight-line basis over the remaining term of the contract. The amortization expense with respect to the CES Contract value for 2021 was \$4.0 million (2020 – \$4.0 million) and is included in the goods and services expense in the consolidated statements of operations and comprehensive loss.

The GTAA also recorded a deferred credit of \$44.0 million at such time, which is being amortized on a straight-line basis, over the term of 20 years. The unamortized balance at December 31, 2021 was \$9.0 million (December 31, 2020 – \$11.2

million). During 2021, the reduction of the unamortized liability of \$2.2 million (December 31, 2020 – \$2.2 million) was recorded as a reduction to goods and services expense in the consolidated statements of operations and comprehensive loss.

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

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

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

As at December 31, 2021, \$247.9 million (December 31, 2020 – \$315.9 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is \$9.0 million (December 31, 2020 – \$12.0 million) of capitalized interest. During the year, borrowing costs for active projects were capitalized at the rate of 4.6 per cent, which represents the weighted-average cost of the GTAA's general borrowings (2020 – 4.8 per cent).

10. INVESTMENT PROPERTY

As at December 31	2021	2020
	\$	\$
Cost		
Balance, beginning of year	520,449	499,964
Additions	730	20,485
Balance, end of year	521,179	520,449
Accumulated amortization		
Balance, beginning of year	37,877	26,636
Amortization expense	13,827	11,241
Balance, end of year	51,704	37,877
Net book value, end of year	469,475	482,572

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

There were no investment property acquisitions in the year (2020 – \$nil). These commercial properties are subject to municipal real property taxes.

The total fair value of all commercial properties, based on an independent valuation, was \$577.0 million as at December 31, 2021 (December 31, 2020 – \$526.9 million). The fair values are within Level 3 of the fair value hierarchy.

For the year ended December 31, 2021, the commercial properties generated \$34.1 million (December 31, 2020 – \$30.8 million) in rental revenue and incurred \$27.7 million (December 31, 2020 – \$25.0 million) in direct operating expenses.

11. 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 2021	December 31 2020
Revenue Bonds			\$	\$	\$
1997-3	6.45%	December 3, 2027	321,500	321,033	320,770
1999-1	6.45%	July 30, 2029	221,536	226,687	247,736
Medium-Term Notes					
2000-1	7.05%	June 12, 2030	526,550	527,467	527,403
2001-1	7.10%	June 4, 2031	492,150	491,813	491,621
2002-3	6.98%	October 15, 2032	468,960	475,531	475,535
2004-1	6.47%	February 2, 2034	567,428	578,162	577,961
2010-1	5.63%	June 7, 2040	400,000	399,066	399,009
2011-1	5.30%	February 25, 2041	600,000	607,765	607,692
2011-2	4.53%	December 2, 2041	400,000	398,832	398,766
2012-1	3.04%	September 21, 2022	388,000	391,070	390,823
2018-1	3.26%	June 1, 2037	500,000	498,167	498,023
2019-1	2.73%	April 3, 2029	500,000	501,096	500,831
2019-2	2.75%	October 17, 2039	900,000	898,646	898,387
2020-1	1.54%	May 3, 2028	500,000	498,695	498,322
2021-1	3.15%	October 5, 2051	400,000	399,637	—
			7,186,124	7,213,667	6,832,879
Commercial paper borrowings			—	—	169,958
				7,213,667	7,002,837
Other fees				—	(1,750)
Less: Current portion (including accrued interest)				(478,896)	(252,004)
				6,734,771	6,749,083

As at December 31, 2021, accrued interest included in the current portion of the long-term debt was \$65.5 million (December 31, 2020 – \$63.1 million).

On October 5, 2021, the GTAA issued \$400.0 million Series 2021-1 MTNs due October 5, 2051 at a coupon rate of 3.15 per cent for net proceeds of \$397.3 million. The net proceeds were primarily used to repay CP.

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 financial tests, for fiscal years 2020 and 2021. On July 21, 2021, the GTAA completed two further amendments of its MTI: 1) relieving the GTAA from complying with the Rate Covenant prescribed under the MTI, which is comprised of two financial tests, for fiscal year 2022; and 2) permitting the GTAA to create any guarantee or to make or maintain any investment, provided that the aggregate cost basis of such guarantees and investments amounts to no more than the greater of 3.0 per cent of the GTAA's total assets and \$200.0 million and no default or event of default exists or would exist as a result thereof. As at December 31, 2021, no guarantees or investments were made under this amendment.

On July 16, 2021, the GTAA extended its committed revolving Operating Credit Facility by an additional year to May 31, 2024. Concurrent with the extension, the credit facility syndicate also approved both the exemption from complying with the MTI Rate Covenant for fiscal year 2022, and the amendment on the limitation on guarantees and investments.

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

	2021	2020
	\$	\$
Interest income	4,847	10,021
Interest expense on debt instruments	(329,911)	(326,888)
Capitalized interest	2,886	15,855
Amortization of terminated hedges and interest rate swap	(1,394)	(1,394)
MTI amendment fees	(8,723)	(8,501)
Other financing fees	(3,852)	(3,473)
	(340,994)	(324,401)
Interest and financing costs, net	(336,147)	(314,380)

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

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

	December 31, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
	\$	\$	\$	\$
Long-term debt	7,213,667	8,535,793	6,832,879	8,696,473

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

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

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

Credit Facilities

The \$1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility. As at December 31, 2021, no CP was outstanding (December 31, 2020 – \$170.0 million), no amounts were drawn from the Operating Credit Facility (December 31, 2020 – \$nil), \$82.3 million of the \$150.0 million Letter of Credit Facility was utilized (December 31, 2020 – \$109.2 million), and there were no outstanding contracts under the \$150.0 million hedge facility. As at December 31, 2021, the GTAA had borrowing capacity under its Operating Credit Facility available of \$1.4 billion (\$nil outstanding CP to backstop), available capacity under its Letter of Credit Facility of \$67.7 million and unrestricted cash of \$258.2 million, for an aggregate of \$1.7 billion in total available liquidity.

12. LEASES

Ground Lease

The GTAA's commitment with respect to the annual Ground Lease is based on set percentage levels of the GTAA's revenues (see "Airport Subject to Ground Lease" in Note 1, General Information). Ground rent expense in 2021 was \$63.7 million (2020 – \$14.5 million) excluding amortization of land acquisition costs (see Note 19, Ground Rent and Note 8, 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 sub-leasing land in the year was \$26.9 million (2020 – \$26.7 million).

Variable payments form part of certain lease agreements. Total variable payments recognized in the consolidated statements of operations and comprehensive loss for 2021 was \$38.3 million (2020 – \$23.8 million).

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

	2022	2023	2024	2025	2026	Thereafter
	\$	\$	\$	\$	\$	\$
December 31, 2021	127,265	106,445	88,338	73,053	60,628	262,627
December 31, 2020	104,055	78,147	59,028	44,520	35,207	316,764

13. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined Benefit Pension Plans

The GTAA maintains two pension plans with defined benefit provisions. One of these plans is a registered pension plan for former Transport Canada employees who were eligible to elect to transfer their pension credits to the GTAA plan. The other defined benefit pension plan is a registered pension plan for certain retired senior executives of the GTAA. Both plans do not accept new members. During the year, the GTAA purchased annuities from an insurance company to immunize a portion of the defined benefit plan. Under the terms of the annuity contract, the GTAA's pension obligation for these members is matched by the annuity purchased.

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, 2021, and the next required valuation is as of January 1, 2022.

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 13.1 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 31 per cent in equities, which may outperform corporate bonds in the long term, but may contribute to volatility in valuation and risk in the short term. The remaining balance in the pension plans is held in fixed income investments and annuities which reduce or eliminate asset value volatility.

(ii) Changes in Bond Yields

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

(iii) Inflation Risk

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

(iv) Life Expectancy

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

c) Amounts Recognized in the Financial Statements

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

	2021	2020
	\$	\$
Present value of funded obligation	(199,550)	(218,096)
Fair value of plan assets	265,284	282,331
Funded status – surplus	65,734	64,235
Net defined benefit asset	65,734	64,235

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

	2021	2020
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	218,096	203,065
Current service cost	1,233	2,029
Interest cost	5,492	6,036
Benefits paid	(7,807)	(7,669)
Employee contributions	316	344
Other	—	1,111
Remeasurements:		
(Gain) Loss from changes in financial assumptions	(16,151)	14,433
Experience gain	(1,629)	(1,253)
Balance, end of year	199,550	218,096
Plan assets		
Fair value, beginning of year	282,331	263,498
Interest income	7,179	7,774
(Loss) Return on plan assets, excluding amounts included in interest income	(15,681)	17,969
Employer contributions	(742)	823
Employee contributions	316	344
Benefits paid	(7,807)	(7,669)
Administrative expenses paid from plan assets	(312)	(408)
Fair value, end of year	265,284	282,331
Funded status – surplus	65,734	64,235

As at December 31, 2021, each of the GTAA's defined benefit pension plans was in a surplus position. One plan was in a surplus position of \$64.7 million (2020 – \$63.7 million), with an accrued obligation of \$183.8 million (2020 – \$200.8 million) and a fair value of plan assets of \$248.5 million (2020 – \$264.5 million). The other plan was in a surplus position of \$1.0 million (2020 – \$0.5 million), with an accrued obligation of \$15.8 million (2020 – \$17.3 million) and a fair value of plan assets of \$16.8 million (2020 – \$17.8 million). Included in return on plan assets is a loss of \$23.0 million relating to the annuity purchase.

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

	2021	2020
	\$	\$
Current service cost	1,233	2,029
Interest cost	5,492	6,036
Interest income	(7,179)	(7,774)
Other	—	1,111
Administrative expenses	312	342
Defined benefit pension plan expense recognized in net loss	(142)	1,744
Amounts recognized in other comprehensive income:		
(Gain) Loss from changes in financial assumptions	(16,151)	14,433
Experience gain	(1,629)	(1,253)
(Return) Loss on plan assets	15,681	(17,903)
Total remeasurements recognized in accumulated other comprehensive loss	(2,099)	(4,723)

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

	2021	2020
	\$	\$
Net defined benefit asset, beginning of year	64,235	60,433
Defined benefit cost included in net loss	142	(1,744)
Total remeasurements included in other comprehensive income	2,099	4,723
Employer contributions	(742)	823
Net defined benefit asset, end of year	65,734	64,235

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

	2021	2020
	\$	\$
Active members	59,571	68,688
Vested deferreds	9,156	8,223
Retirees	130,823	141,185
Accrued benefit obligation	199,550	218,096

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

Asset Category	Fair Value of Plan Assets	
	2021	2020
Equity securities	31 %	61 %
Fixed income	25 %	39 %
Annuity buy-in	44 %	— %

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

d) Significant Actuarial Assumptions

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

	2021	2020
Discount rate	3.18 %	2.57 %
Rate of compensation increase	2.50 %	2.50 %
Rate of price inflation	2.00 %	2.00 %
Rate of pension increases	2.00 %	2.00 %
Long-term rate of return on plan assets	4.50 %	4.80 %

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, 2021 would be as follows:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$	\$
Discount rate	1.00 %	(22,688)	27,777
Rate of price inflation	1.00 %	26,132	(22,246)
Mortality	1 year	6,525	(6,554)

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, 2021, the registered defined benefit plan had a funding valuation solvency surplus of \$18.4 million. The supplementary defined benefit plan had a solvency deficit of \$0.6 million as at January 1, 2021. 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, 2022 are \$nil, \$9.3 million and \$0.4 million, respectively.

Defined Contribution Pension Plan Expense

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

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"). This will cause all future employer contributions to be made to the CAAT Pension Plan instead of the GTAA defined contribution pension plan.

The GTAA's contributions to the registered defined contribution pension plans and the CAAT Pension Plan are a maximum of 6.5 per cent of the employee's gross earnings. The net expense for the defined contribution pension plans in 2021 was \$7.3 million (2020 – \$5.4 million).

For designated employees of one unfunded supplemental plan, the GTAA's notional contribution equals 16 per cent of the employee's gross earnings less amounts already contributed to the plan by the employee and the GTAA. Recorded in post-employment benefit liabilities on the consolidated statements of financial position is the estimated obligation for this plan at December 31, 2021 of \$4.3 million (December 31, 2020 – \$4.0 million).

Severance Entitlement Plan

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

Since the GTAA's accrued severance entitlement plan is unfunded, the net obligation is equal to the sum of the benefit obligations for all the members under this plan. As at December 31, 2021, the balance of the accrued benefit obligation was \$2.6 million (2020 – \$3.5 million), the post-employment benefit expense recognized in net loss for the year ended December 31, 2021 was \$0.3 million (2020 – \$0.2 million), benefits paid were \$0.1 million (2020 – \$0.2 million) and the

non-pension remeasurements gain recognized in other comprehensive income was \$1.1 million (2020 – loss of \$0.7 million).

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2021, the estimated obligation for this payment is \$3.2 million (2020 – \$4.7 million), the post-employment benefit expense recognized in net loss for the year ended December 31, 2021 was \$0.5 million (2020 – \$0.2 million), and the non-pension measurement gain recognized in other comprehensive income was \$2.0 million (2020 – \$1.5 million). This amount is included in post-employment benefit liabilities in the consolidated statements of financial position.

14. RELATED PARTY TRANSACTIONS

Related Parties

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

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

The GTAA has applied the exemption for government-related entities to disclose only significant transactions. See Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority, Note 12, 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, the COO and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of management under applicable securities policies.

Compensation to Key Management personnel and Members of the Board of Directors for the year ended December 31, 2021, as included in the consolidated statements of operations and comprehensive loss, was \$9.3 million (2020 – \$11.3 million). Compensation includes salaries, fees, short-term benefits, post-employment benefits and other employee benefits.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2021 of approximately \$119.7 million (December 31, 2020 – \$157.8 million).

Letters of Credit

A number of letters of credit for \$82.3 million in total were outstanding as at December 31, 2021 (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities).

Cogeneration Plant

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

Contingent Liabilities

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

16. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; or
- c) Level 3 – Significant unobservable inputs that are supported by little or no market activity.

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

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

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

Risk Management

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

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

Market Risk

a) Interest Rate Risk

The GTAA's exposure to interest rate risk relates to its MTNs and short-term borrowing as described in Note 11, Long-Term Debt, Commercial Paper and Credit Facilities. As at December 31, 2021, 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 11, Long-Term Debt, Commercial Paper and Credit Facilities). As at December 31, 2021, \$391.8 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	2021	2020
	\$	\$
Cash and Cash Equivalents		
AA	258,194	103,173
Restricted funds		
AA	422,647	417,833

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 is assessed by reference to external credit ratings (if available). As at December 31, 2021, \$3.4 million in accounts receivables had an external credit rating of A or higher and \$48.8 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 52.6 per cent (2020 – 51.9 per cent) of total revenue, and 19.8 per cent (2020 – 8.6 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2021.

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 has placed downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit these impacts which include extending the commitments available under its revolving credit facility to 2024 to provide additional flexibility; and reducing and/or deferring operational and capital expenditures.

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

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

The GTAA maintains credit facilities and a CP program and executes a Capital Markets Platform to meet cash needs as debt maturities occur (see Note 11, Long-Term Debt, Commercial Paper and Credit Facilities, and Note 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, 2021

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

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 and related interest	7,812	337,384	2,066,797	8,640,672
	105,347	602,828	2,066,797	8,640,672

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

Offsetting of Financial Instruments

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

The following table presents the financial instruments which may be subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2021 and 2020, 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, 2021, no recognized financial instruments are offset in the consolidated statements of financial position.

December 31, 2021

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

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)

17. REVENUE

During the year, the GTAA recognized \$680.7 million (2020 – \$665.0 million) from contracts with customers and \$146.1 million (2020 – \$158.5 million) of revenue was recognized under IFRS 16, Leases.

Deferred revenue was \$44.1 million as at December 31, 2020, and was fully recognized in the consolidated statements of operations and comprehensive loss in 2021. Cash in the amount of \$40.9 million was received during the year that related to performance obligations yet to be satisfied resulting in a deferred revenue balance of \$40.9 million as at December 31, 2021.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2021	2020
	\$	\$
Trade payables	51,083	76,829
Accrued expenses	112,579	110,117
Commodity sales tax payable	6,079	151
Provisions	15,180	1,455
Other liabilities	2,506	4,469
	187,427	193,021

19. GROUND RENT

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

Ground rent receivable on the consolidated statements of financial position was \$28.8 million as at December 31, 2020, representing the 2020 ground rent expense overpayment, which has subsequently been received from Transport Canada.

20. GOODS AND SERVICES EXPENSE BY NATURE

Years Ended December 31	2021	2020
	\$	\$
Property and equipment maintenance and repairs	56,552	65,418
Outsourcing and professional services	64,627	106,120
Utilities	20,467	19,212
Policing and security	46,628	35,898
Snow removal	15,406	25,923
AIF administration fee	5,892	5,146
Small parts and material supplies	11,147	7,108
Insurance	7,801	7,196
Expected credit loss allowance	(2,500)	18,487
Other	23,388	24,832
	249,408	315,340

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 11, Long-Term Debt, Commercial Paper and Credit Facilities); cash; and restricted funds (see Note 6, Restricted Funds).

The GTAA's objectives when managing capital are to:

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

- b) Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments; and
- c) Satisfy covenants set out in the MTI, in applicable years.

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

Capital Markets Platform

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

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

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, in 2020 and 2021, the GTAA completed amendments of its MTI which relieve the GTAA from complying with these covenants. On July 21, 2021, the GTAA also completed another amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022. See Note 11, Long-Term Debt, Commercial Paper and Credit Facilities.

22. COVID-19 IMPACT

Over the course of 2021, with intermittent global lockdowns, travel restrictions, a government advisory telling Canadians not to travel unless essential, and government-imposed health requirements, the COVID-19 pandemic has had a material negative impact on demand for air travel globally. Toronto Pearson has experienced a small decline in passenger and flight activity during 2021, as compared to the same period in 2020, which included one quarter of aviation activity in the first quarter of 2020, prior to the COVID-19 pandemic shutdown. The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. Though the GTAA has experienced a significant loss during 2021 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 to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

The GTAA received payments from the Canada Revenue Agency under the Canada Emergency Wage Subsidy program, from March 2020 until October 2021. For the year ended December 31, 2021, \$27.0 million (December 31, 2020 – \$46.4 million) was recorded on the consolidated statements of operations and comprehensive loss as a reduction of salary,

wages and benefits, and \$1.6 million (December 31, 2020 – \$2.6 million) was recorded against capitalized salaries, wages and benefits in property and equipment on the consolidated statements of financial position. As at December 31, 2021, the balance included in accounts receivable on the consolidated statements of financial position was \$nil (December 31, 2020 – \$16.6 million). See Note 7, Accounts Receivable.