Greater Toronto Airports Authority

# Management's Discussion and Analysis and Condensed Interim Consolidated Financial Statements

June 30, 2024

Public

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

## June 30, 2024

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

**Dated August 7, 2024**

## 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 three- and six-months ended June 30, 2024 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements of the GTAA for the same period. In addition, the reader is directed to the Consolidated Financial Statements and MD&A for the years ended December 31, 2023 and 2022, and the Annual Information Form for the year ended December 31, 2023. 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 annual audited Consolidated Financial Statements referred to above, is available on SEDAR at www.sedarplus.ca. The GTAA's annual audited Consolidated Financial Statements and MD&A are also available on its website at www.torontopearson.com.

## CORPORATE PROFILE

The GTAA is a corporation without share capital under the *Canada Not-for-profit Corporations Act* and a designated airport authority under the *Airport Transfer (Miscellaneous Matters) Act*. The GTAA manages and operates Toronto – Lester B. Pearson International Airport (the "Airport" or "Toronto Pearson") under a ground lease with the Government of Canada, dated December 2, 1996 (the "Ground Lease"). The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years at the option of the GTAA, which is exercisable commencing December 2, 2046. The Ground Lease is available on SEDAR at www.sedarplus.ca 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 currently unrelated to the direct management, operation or maintenance of the Airport. The properties acquired by ACI do not form part of the premises leased to the GTAA by the Government of Canada under the Ground Lease.

## SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| | **2024** | 2023 | Change [1] | % | **2024** | 2023 | Change [1] | % |
| **Total Revenues** *($ millions)* | **485.3** | 463.8 | 21.5 | 4.6 | **953.8** | 889.4 | 64.4 | 7.2 |
| EBITDA [2, 3] | **237.2** | 247.5 | (10.3) | (4.2) | **456.4** | 450.5 | 5.9 | 1.3 |
| EBITDA Margin [2, 3] | **48.9 %** | 53.4 % | | (4.5)pp | **47.9 %** | 50.7 % | | (2.8)pp |
| Net Income | **86.4** | 81.1 | 5.3 | 6.6 | **160.1** | 129.9 | 30.2 | 23.2 |
| **Cash Flows from Operating Activities** *($ millions)* | **211.8** | 260.5 | (48.7) | (18.7) | **426.1** | 458.0 | (31.9) | (7.0) |
| Free Cash Flow [4] | **39.9** | 100.7 | (60.8) | (60.4) | **157.0** | 268.9 | (111.9) | (41.6) |
| **Passenger Activity** *(millions)* | | | | | | | | |
| Domestic | **4.1** | 4.3 | (0.2) | (3.2) | **7.5** | 7.6 | (0.1) | (1.1) |
| International | **7.6** | 7.1 | 0.5 | 7.4 | **15.1** | 13.7 | 1.4 | 10.2 |
| Total | **11.7** | 11.4 | 0.3 | 3.5 | **22.6** | 21.3 | 1.3 | 6.2 |
| **Flight Activity** | | | | | | | | |
| Aircraft movements *(thousands)* | **0.1** | 0.1 | 0.0 | 1.6 | **191.8** | 183.0 | 8.8 | 4.8 |
| MTOW [5] *(million tonnes)* | **9.1** | 8.6 | 0.5 | 4.7 | **17.6** | 16.5 | 1.1 | 6.9 |
| Seats *(millions)* | **14.0** | 13.4 | 0.6 | 4.6 | **27.3** | 25.4 | 1.9 | 7.3 |
| Load factor | **84.4 %** | 84.9 % | | (0.5)pp | **83.1 %** | 83.5 % | | (0.4)pp |

| | As at June 30 | | | |
|---|---|---|---|---|
| | **2024** | 2023 | Change [1] | % |
| **Total Debt** *($ millions)* | **7,068.7** | 6,882.1 | 186.6 | 2.7 |
| Net Debt [6] | **5,673.6** | 6,027.1 | (353.5) | (5.9) |
| Net Liquidity [7] | **2,089.0** | 1,530.7 | 558.3 | 36.5 |
| **Key Credit & Performance Metrics** | | | | |
| Total Debt / Enplaned Passenger [8] ($) | **306** | 325 | (19) | (5.8) |
| Net Debt [6] / Enplaned Passenger [8] ($) | **246** | 285 | (39) | (13.7) |
| Air Carrier Cost / Enplaned Passenger [8] (CPE) [9] ($) | **29.6** | 30.5 | (0.9) | (3.0) |

1 "Change" is based on detailed actual numbers (not rounded as presented); pp = percentage points.

2 EBITDA, a non-GAAP financial measure, is earnings from operations before interest and financing costs, (reversal)/impairment of investment property, write-down of property and equipment and amortization. Refer to section "Non-GAAP Financial Measures".

3 Refer to "Results of Operations – Net Operating Results" section for details and for reconciliation of net income to EBITDA.

4 Free cash flow, a non-GAAP financial measure, is defined as cash flows from operating activities and Airport Critical Infrastructure Program ("ACIP") grants received, less cash interest, financing costs and capital expenditures. Refer to section "Non-GAAP Financial Measures". See "Liquidity and Capital Resources" section for narrative details and the free cash flow calculation.

5 MTOW is aircraft maximum take-off weight of each aircraft as specified by the aircraft's manufacturers.

6 Net Debt, a non-GAAP financial measure, is defined as gross debt less cash, cash equivalents, short-term investments and restricted funds. Refer to section "Non-GAAP Financial Measures".

7 Net liquidity, a non-GAAP financial measure, 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, cash equivalents, and short-term investments.

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

9 Air carrier cost per enplaned passenger ("CPE") is a non-GAAP financial measure and is based on the prior 12 months aeronautical revenue activity. Refer to section "Non-GAAP Financial Measures".

## OVERVIEW

The GTAA's purpose includes developing, managing and operating airports within the south-central Ontario region, with Toronto Pearson being the only such airport at this time. Toronto Pearson is a global hub that connects flights to and from other domestic and international destinations.

**Operational and Financial Performance Summary**

During the three- and six-months ended June 30, 2024:

- Toronto Pearson processed 11.7 million passengers, an increase of 0.3 million or 3.5 per cent, and 22.6 million passengers, an increase of 1.3 million or 6.2 per cent, respectively, when compared to the same periods of 2023, due to strong travel demand, and
- Passenger activity continued to recover to 92.0 per cent in the second quarter of 2024 and 92.7 per cent in the first half of 2024, when compared to the same respective periods of 2019 levels.

During three- and six-months ended June 30, 2024, when compared to the same periods of 2023, respectively, the GTAA earned and generated:

- Revenues of $485.3 million, an increase of $21.5 million or 4.6 per cent and $953.8 million, an increase of $64.4 million or 7.2 per cent;
- EBITDA[1] of $237.2 million, a decrease of $10.3 million or 4.2 per cent and $456.4 million, an increase of $5.9 million or 1.3 per cent;
- Net income of $86.4 million, an increase of $5.3 million and $160.1 million, an increase of $30.2 million;
- Cash flows from operating activities of $211.8 million, a decrease of $48.7 million and $426.1 million, a decrease of $31.9 million; and
- Free cash flow[2] of $39.9 million, a decrease of $60.8 million and $157.0 million, a decrease of $111.9 million.

The financial results are attributed primarily to an increase in passenger and flight activity, and higher aeronautical rates. The decrease in free cash flow was primarily driven by the decreases in cash flows from operations and funds received under the Airport Critical Infrastructure Program ("ACIP") and an increase in capital expenditures, partially offset by an increase in interest income.

**Corporate Strategy**

The GTAA launched its 10-year Strategic Plan in 2023. The GTAA's vision is “Putting the joy back into travel by making Toronto Pearson the chosen place to fly and work”. This vision is being executed through a series of strategic initiatives developed to prioritize capital investments and enable a strategic focus on solving key business issues while building system resiliency. These initiatives include a series of time horizons that give the GTAA the flexibility to pivot and be agile, while ensuring that it is also evolving over the long term to facilitate and serve the growth at service levels expected by passengers it anticipates to receive over the next decade.

The GTAA's mission is to:

- Make Toronto Pearson a global leader in airport performance, customer care and sustainability; and
- Create the airport of the future by innovating in all that it does, striving for the most uplifting, safe and efficient experience for its passengers.

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

- Customer Experience - make air travel as seamless as possible by connecting passengers, airlines, and key ecosystem partners through innovative tools, such as streamlined processing, digital trip planning and predictable wait times to become a global leader in passenger care;

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[1] EBITDA, a non-GAAP financial measure, is defined as earnings from operations before interest and financing costs, (reversal)/impairment of investment property, write-down of property and equipment, and amortization. Refer to section "Non-GAAP Financial Measures".

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

- Operational Efficiency - grow an airport-wide culture of responsibility and accountability through the "Pearson Standard" program and policies, build smart and continuously improve processes, while transitioning to more sustainable energy sources;
- Innovation - champion an impactful innovation culture that encourages continuous modernization and rewards experimentation that will create an ecosystem of innovation partners to cultivate and accelerate initiatives that will make Toronto Pearson – and the broader aviation sector – faster, better and stronger; and
- Culture / Employee Experience - build organizational readiness and preparedness for transformation and to support the strategic outcomes of the other pillars with ready now, engaged and diverse talent.

Pearson Long-term Investment in Facilities and Terminals

Pearson Long-term Investment in Facilities and Terminals (or "Pearson LIFT")[3] is a capital plan spanning more than a decade, investing billions of dollars into Toronto Pearson's facility through several construction programs aimed at preparing the Airport for the challenges, growth and opportunities of the coming years and beyond.

Pearson LIFT focuses on revitalizing Airport facilities, expanding Airport and passenger capacity, and delivering new technologies to improve the travel experience. In particular, the GTAA is collaborating with its partners to improve operational efficiency, stability and resiliency across the entire ecosystem at Toronto Pearson.

For further details on Pearson LIFT, refer to the 'Capital Plan, Programs and Projects' section of this MD&A.

**Second Quarter Highlights**

Toronto Pearson's operational performance continues to strengthen with improved customer experience and operational readiness, as evidenced by a 2 per cent and 4 per cent increase in on-time performance (departures) during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023.

During the second quarter of 2024:

- both terminals at Toronto Pearson have been certified gold through the Rick Hansen Foundation Accessibility Certification program ("RHFAC"), the highest rating in the program. RHFAC measures physical accessibility of buildings and sites. Toronto Pearson's gold certification is a significant milestone in ensuring that all passengers, regardless of their abilities, can fully experience the joys of air travel; and
- Canadian Occupational Safety has awarded the GTAA with the 5-Star Safety Culture award for 2024. This prestigious award recognizes Toronto Pearson's outstanding commitment to championing safety excellence and remaining vigilant on the well-being of employees.

## OPERATING ACTIVITY

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

**Passenger Activity**

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

During the second quarter of 2024, 11.7 million passengers travelled through the Airport, representing an increase of 0.3 million passengers or 3.5 per cent, as compared to the same period in 2023. The largest passenger growth was in the international sector with an increase of 0.5 million or 7.4 per cent primarily within the leisure, sun and European regions, whereas the domestic sector decreased by 0.2 million passengers or 3.2 per cent.

During the first six months of 2024, 22.7 million passengers travelled through the Airport, as compared to 21.3 million passengers during the same period in 2023, representing an increase of 1.3 million passengers or 6.2 per cent. The

[3] Pearson Long-term Investment in Facilities and Terminals was formerly known as the Transformative Capital Plan.

largest growth was in the international sector with an increase of 1.4 million or 10.2 per cent, whereas the domestic sector decreased by 0.1 million passengers or 1.1 per cent, when compared to the same period in 2023.

The following table summarizes passenger activity by sector for the three- and six-month periods ended June 30, 2024 and 2023:

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| **Passenger Activity** [1] | **2024** | 2023 | Change [1] | | **2024** | 2023 | Change [2] | |
| *(in millions)* | | | | **%** | | | | % |
| Domestic | **4.1** | 4.3 | (0.2) | (3.2) | **7.5** | 7.6 | (0.1) | (1.1) |
| International | **7.6** | 7.1 | 0.5 | 7.4 | **15.1** | 13.7 | 1.4 | 10.2 |
| **Total** | **11.7** | 11.4 | 0.3 | 3.5 | **22.6** | 21.3 | 1.3 | 6.2 |
| | | | | | | | | |
| *(in millions)* | | | | | | | | |
| Origin and destination | **8.8** | 8.6 | 0.2 | 3.1 | **17.2** | 16.0 | 1.2 | 7.0 |
| Connecting | **2.9** | 2.8 | 0.1 | 4.5 | **5.4** | 5.3 | 0.1 | 3.6 |
| **Total** | **11.7** | 11.4 | 0.3 | 3.5 | **22.6** | 21.3 | 1.3 | 6.2 |
| | | | | | | | | |
| Origin and destination [2] | **75.0 %** | 75.3 % | | (0.3)pp | **75.9 %** | 75.3 % | | 0.6 pp |
| Connecting [2] | **25.0 %** | 24.7 % | | 0.3 pp | **24.1 %** | 24.7 % | | (0.6)pp |
| **Total** | **100.0 %** | 100.0 % | | | **100.0 %** | 100.0 % | | |

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

Passengers are further segmented into two principal types of passengers: origin and destination passengers and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, whereas a connecting passenger changes aircraft at that same airport en route to a final destination.

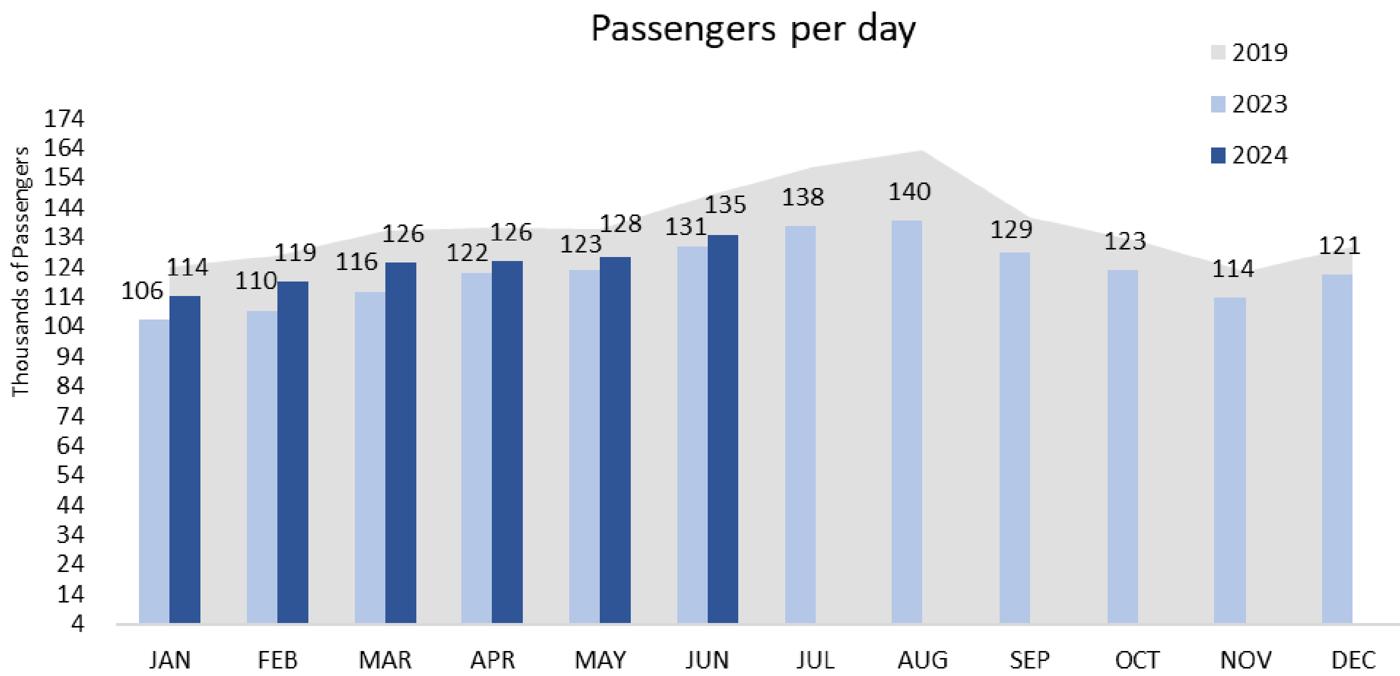
During the three- and six-months ended June 30, 2024, when compared to the same periods of 2023, respectively;

- the number of origin and destination passengers increased 3.1 per cent to 8.8 million and increased 7.0 per cent to 17.2 million passengers, while the number of connecting passengers increased 4.5 per cent to 2.9 million and 3.6 per cent to 5.4 million passengers.
- the proportion of origin and destination passengers decreased 0.3 percentage points to 75.0 per cent and increased 0.6 percentage points to 75.9 per cent, while connecting passengers increased 0.3 percentage points to 25.0 per cent and decreased 0.6 percentage points to 24.1 per cent.

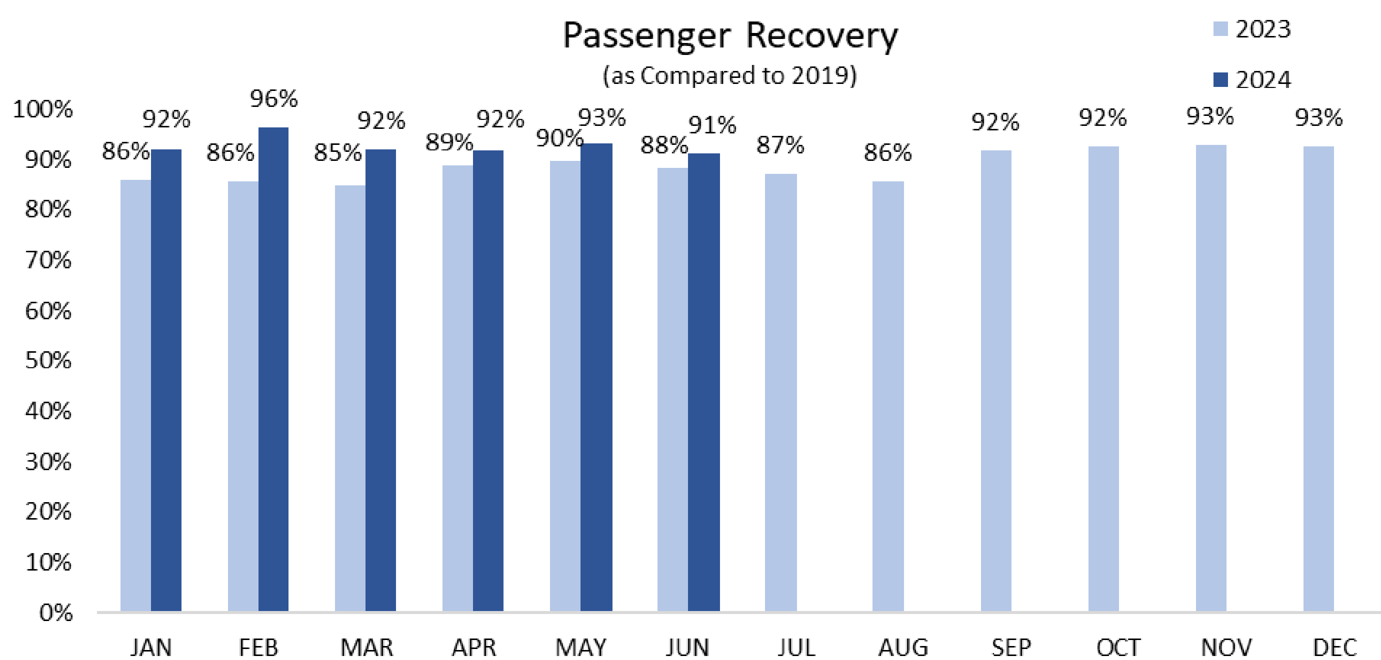
During the first six months of 2024, the average number of airlines operating at Toronto Pearson increased to 58 from 56, when compared to the same period of 2023.

During the three- and six-months ended June 30, 2024, origin and destination passenger activity recovered to 100.0 per cent and 100.0 per cent and connecting passengers recovered to 72.5 per cent and 74.0 per cent, respectively, relative to same periods of their 2019 passenger activity. The lower recovery in connecting passengers is largely attributable to the shift in the air carrier mix.

The following table outlines the average daily number of passengers per month that traveled through Toronto Pearson from January 2024 to June 2024, compared to January 2023 to June 2023 and 2019. In this respect, Toronto Pearson has processed on average 5.8 per cent more daily passengers during the January 2024 to June 2024 time period when compared to the January 2023 to June 2023 time period.




The following table outlines the average percentage of passengers per month that traveled through Toronto Pearson from January 2024 to June 2024 and from January 2023 to December 2023, when compared to the respective months in 2019 (pre-COVID-19). During the three- and six-months ended June 30, 2024, passenger activity continued to recover to 92.0 per cent in the second quarter of 2024 and 92.7 per cent in the first half of 2024, when compared to the same respective periods of 2019 levels.




**Flight Activity**

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

The following table summarizes aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor for the three- and six-month periods ended June 30, 2024 and 2023:

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| **Flight Activity** [1] | **2024** | 2023 | Change [2] | **%** | **2024** | 2023 | Change [2] | % |
| *(in thousands)* | | | | | | | | |
| Total aircraft movements [3] | **97.8** | 96.3 | 1.5 | 1.6 | **191.8** | 183.0 | 8.8 | 4.8 |
| Passenger aircraft movements | **86.6** | 85.2 | 1.4 | 1.7 | **170.6** | 162.2 | 8.4 | 5.2 |
| Non-passenger aircraft movements | **11.2** | 11.1 | 0.1 | 0.9 | **21.2** | 20.8 | 0.4 | 1.9 |
| *(in millions)* | | | | | | | | |
| MTOW (tonnes) | **9.1** | 8.6 | 0.5 | 4.7 | **17.6** | 16.5 | 1.1 | 6.9 |
| Seats | **14.0** | 13.4 | 0.6 | 4.6 | **27.3** | 25.4 | 1.9 | 7.3 |
| Seats per passenger aircraft movement | **161.2** | 156.7 | 4.5 | 2.9 | **159.9** | 156.8 | 3.1 | 2.0 |
| Load factor | **84.4 %** | 84.9 % | | (0.5)pp | **83.1 %** | 83.5 % | | (0.4)pp |

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

During the three- and six-months ended June 30, 2024, increases in flight activity, when compared to the same periods of 2023, respectively, can be attributed to the following:

- passenger aircraft movements increased 1.7 per cent and 5.2 per cent given continued gains in travel demand;
- non-passenger aircraft movements increased 0.9 per cent and 1.9 per cent, primarily as a result of cargo activity;
- MTOW increased 4.7 per cent to 9.1 million tonnes and 6.9 per cent to 17.6 million tonnes given the increased number of movements and larger number of seats on planes;
- seats increased 4.6 per cent to 14.0 million and 7.3 per cent to 27.3 million which is driven by increased movements and larger aircraft size; and
- the number of seats per passenger aircraft movement increased by 2.9 per cent to 161.2 seats and 2.0 per cent to 159.9 seats, due to several factors, including the recovery of international travel and the change in carrier and fleet mix.

During the second quarter of 2024, five new airlines commenced operations out of Toronto Pearson: Swiss International Air Lines from Switzerland, BermudAir from Bermuda, ITA Airways from Italy, and Alaska Airlines and Sun Country Airlines from the United States.

During the three- and six-months ended June 30, 2024, the number of destinations traveling direct out of Toronto Pearson (including one-stop flights operating on the same flight number) were 188 destinations, an increase of seven or 3.9 per cent, and 193 destinations, an increase of six or 3.2 per cent, respectively, when compared to the same periods of 2023.

## RESULTS OF OPERATIONS

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

**Aeronautical Fees and Charges and Airport Improvement Fees**

The GTAA has established aeronautical rate setting principles that balance fiscal prudence and the ability to invest in future capacity, with commercial and stakeholder considerations. While maintaining the right to modify and set the approach to aeronautical fees and charges as required at any time, in practice, the GTAA regularly consults with stakeholders on the rate framework and establishes aeronautical fees and charges on an annual basis. Annually, the GTAA undertakes a consultative, iterative process with the airline community to discuss the capital projects that will ultimately impact and be funded primarily through the Airport Improvement Fees ("AIF") while taking the Airport's wider stakeholders' interests into account. Historically, the GTAA has notified the airlines in September of changes in aeronautical rates. 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. The AIF enables the GTAA to fund capital projects, both existing and upcoming, which strengthens the ecosystem at Toronto Pearson and allows building for the future.

Effective January 1, 2024, the following changes to aeronautical fees and charges were implemented:

- Aeronautical rates increased on a blended basis by an average of four per cent; and
- The apron fee was modified to incent quicker turns which improves operational efficiency and greater utilization of terminal gates and hardstands.

No change was made to the AIF in 2024.

The GTAA's aeronautical fees and charges and the AIF are comparable with a number of large Canadian airports. Management plans to apply these fees and charges to:

- allow the Company to resume projects put on hold as a result of the COVID-19 pandemic;
- fund renewal and replacement of existing airport assets;
- fund projects that digitalize the Airport and improve the Airport's growth, competitiveness and environmental sustainability; and
- address higher operating costs associated in part with higher passenger volumes and inflation.

In December 2023, the GTAA entered into Airline Partnership Agreements ("APA") with several airlines as part of a new rebate program aimed at driving better performance and passenger experience at Toronto Pearson. Representing approximately 90 per cent of seats at Toronto Pearson, these airlines are eligible commencing January 1, 2024, to earn aeronautical fee rebates by achieving certain passenger volume thresholds and meeting operational performance targets, which focus on four major areas of airline performance including: i) on-time departure; ii) towing aircraft off gates when going out of service; iii) meeting baggage return timelines for arriving passengers; and iv) customer check-in utilization efficiency in the terminals. These agreements are expected to help the GTAA achieve further financial resiliency in two ways: incentivizing passenger growth and increasing the efficient utilization of existing assets. Each agreement lasts for three years, starting January 1, 2024, with a GTAA option to extend for up to two additional years.

**Revenues**

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

Landing fees are based on the MTOW of arriving aircraft; general terminal charges are based on the number of seats of an arriving aircraft; and apron fees are based on the aircraft time spent at gate and utilization of gating equipment (i.e. gates, bridges, preconditioned air, etc.). 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 also correlated with passenger activity.

The following table summarizes the GTAA's consolidated revenues for the three- and six-month periods ended June 30, 2024 and 2023.

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| **Revenues** | **2024** | 2023 | Change [1] | | **2024** | 2023 | Change [1] | |
| *($ millions)* | | | $ | % | | | | % |
| Landing fees [2] | **103.8** | 101.6 | 2.2 | 2.2 | **203.3** | 202.5 | 0.8 | 0.4 |
| General terminal charges | **62.2** | 60.2 | 2.0 | 3.3 | **121.6** | 119.0 | 2.6 | 2.1 |
| **Aeronautical Revenues** | **166.0** | 161.8 | 4.2 | 2.6 | **324.9** | 321.5 | 3.4 | 1.1 |
| Concessions and rentals | **80.4** | 76.1 | 4.3 | 5.8 | **157.0** | 145.4 | 11.6 | 8.0 |
| Car parking and ground transportation | **60.1** | 57.6 | 2.5 | 4.3 | **119.4** | 111.1 | 8.3 | 7.4 |
| Other | **15.5** | 14.5 | 1.0 | 6.5 | **30.1** | 27.8 | 2.3 | 8.3 |
| **Commercial Revenues** | **156.0** | 148.2 | 7.8 | 5.3 | **306.5** | 284.3 | 22.2 | 7.8 |
| **Airport Improvement Fees** | **163.3** | 153.8 | 9.5 | 6.2 | **322.4** | 283.6 | 38.8 | 13.7 |
| **Total Revenues** | **485.3** | 463.8 | 21.5 | 4.6 | **953.8** | 889.4 | 64.4 | 7.2 |

| **Key Metric** | | | | |
|---|---|---|---|---|
| Air Carrier Cost / Enplaned Passenger [3] (CPE) [4] ($) | **29.6** | 30.5 | (0.9) | (3.0) |

1 "% Change" and "%" are based on detailed actual numbers (not rounded as presented); "pp" are percentage points.
2 Includes apron fees.
3 For credit metric purposes, enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.
4 Air carrier cost per enplaned passenger ("CPE") is a non-GAAP financial measure. Air carrier cost is based on prior 12 months aeronautical revenue activity. Refer to section "Non-GAAP Financial Measures".

Aeronautical revenues increased 2.6 per cent to $166.0 million and 1.1 per cent to $324.9 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023, primarily due to growth in flight activity and the four per cent rate increase implemented on January 1, 2024, partially offset by the new APA and the respective rebates, which are designed to incent airport asset utilization and efficient operational performance.

Consolidated concession and rental revenues increased 5.8 per cent to $80.4 million and 8.0 per cent to $157.0 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. This increase was mainly due to the growth in retail, duty free, foreign currency exchange and overall improved operating activity. The GTAA's concession revenues, which include revenues from retail tenants, advertising and sponsorship partners at the Airport, increased 3.1 per cent to $37.6 million and 9.0 per cent to $72.2 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. Rental revenues increased 8.3 per cent to $42.8 million and 7.1 per cent to $84.8 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. Excluding ACI revenues, rental revenues increased 9.4 per cent to $33.9 million and 8.2 per cent to $67.2 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023.

During the 12-month period prior to the end of June 30, 2024, retail store sales per enplaned passenger at Toronto Pearson were $31.23 versus $29.66 in the same period of 2023, a $1.57 or 5.3 per cent increase. This was primarily due to the growth in duty free, service and specialty retail, and foreign currency exchange. Retail store sales are the gross sales generated and earned by the GTAA's commercial tenants (including retail, food and beverage, lounges and services). These tenants, under their leasehold agreements with the GTAA, pay either a Minimum Annual Guarantee or a percentage of gross sales to the GTAA as rent, whichever is higher.

Car parking and ground transportation revenues increased 4.3 per cent to $60.1 million and 7.4 per cent to $119.4 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. The increase was mainly due to operating activity growth and revenue management in the first six months of 2024.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 6.5 per cent to $15.5 million and increased 8.3 per cent to $30.1 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. The changes in other revenues were primarily from the deicing operations. Deicing revenues increased 4.8 per cent to $11.0 million and increased 7.0 per cent to $21.4 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023 mainly due to an increase in deicing costs as a result of increased aviation activity; these costs were recovered via the cost-recovery model.

AIF revenues increased 6.2 per cent to $163.3 million and 13.7 per cent to $322.4 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. The increase was due to higher passenger volumes. In addition, the AIF revenues for the first half of 2024 increased due to an increase in mix of origin and destination passengers versus connecting.

**Expenses**

Expenses include the costs to operate and maintain the Airport, interest and financing costs, amortization (property and equipment, investment property and intangible assets), write-down of property and equipment, and the (reversal)/ impairment of investment property.

The following table summarizes GTAA's consolidated expenses for the three- and six-month periods ended June 30, 2024 and 2023.

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| **Expenses** | **2024** | 2023 | Change [1] | | **2024** | 2023 | Change [1] | |
| *($ millions)* | | | $ | % | | | | % |
| Ground rent | **54.9** | 53.5 | 1.4 | 2.6 | **107.9** | 101.2 | 6.7 | 6.6 |
| PILT [2] | **8.2** | 2.9 | 5.3 | 180.8 | **16.3** | 5.8 | 10.5 | 180.8 |
| Total ground rent and PILT [2] | **63.1** | 56.4 | 6.7 | 11.8 | **124.2** | 107.0 | 17.2 | 16.0 |
| Goods and services | **119.9** | 104.7 | 15.2 | 14.6 | **241.8** | 220.6 | 21.2 | 9.6 |
| Salaries, wages and benefits | **65.2** | 55.2 | 10.0 | 18.0 | **131.4** | 111.3 | 20.1 | 18.0 |
| **Total Operating Expenses** (before amortization) | **248.2** | 216.3 | 31.9 | 14.7 | **497.4** | 438.9 | 58.5 | 13.3 |
| (Reversal) Impairment of investment property | **(5.5)** | — | (5.5) | 100.0 | **(5.5)** | — | (5.5) | 100.0 |
| Amortization of property and equipment, investment property and intangible assets | **90.8** | 93.7 | (2.9) | (3.1) | **170.8** | 173.2 | (2.4) | (1.4) |
| **Total Operating Expenses** | **333.5** | 310.0 | 23.5 | 7.6 | **662.7** | 612.1 | 50.6 | 8.3 |
| Interest expense on debt instruments and other financing costs, net of interest income | **65.5** | 72.7 | (7.2) | (10.0) | **131.0** | 147.4 | (16.4) | (11.1) |
| **Total Expenses** | **399.0** | 382.7 | 16.3 | 4.2 | **793.7** | 759.5 | 34.2 | 4.5 |

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

Ground rent payments to the Government of Canada are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at progressively increasing rates with a top rate of 12 per cent of Airport Revenues in excess of $250 million annually. Ground rent expense increased by 2.6 per cent to $54.9 million and 6.6 per cent to $107.9 million during three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023, primarily due to the increase in revenues.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation under the *Assessment Act.* The annual PILT is based on actual passenger volumes from two years prior. Under an amendment in February 2022 to the applicable regulation, the previous 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 180.8 per cent to $8.2 million and 180.8 per cent to $16.3 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023, as it was based on 2022 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.

During the second quarter of 2024, expenditures for goods and services increased 14.6 per cent or $15.2 million to $119.9 million, when compared to the same period of 2023. The increased costs were primarily due to higher general repairs and maintenance costs, professional and consulting services costs, energy costs, and cleaning costs, partially offset by decreases in costs related to software-as-a-service ("SaaS") based projects.

During the first six months of 2024, expenditures for goods and services increased 9.6 per cent or $21.2 million to $241.8 million, when compared to the same period of 2023. The increased costs were primarily due to higher general repairs and maintenance costs, energy costs, professional and consulting services costs, cleaning costs and AIF administration costs from increased passenger volumes, partially offset by decreases in snow removal costs as a result of milder winter weather conditions in the first quarter of 2024 and lower costs related to SaaS based projects.

Salaries, wages and benefits increased 18.0 per cent or $10.0 million to $65.2 million and 18.0 per cent or $20.1 million to $131.4 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. The increases were primarily due to new employees hired in airport operations and maintenance teams to serve the increased passenger and flight activity at the Airport.

The reversal of impairment of investment property during three- and six-months ended June 30, 2024 of $5.5 million and $5.5 million, respectively, was based on valuations of each of the individual properties made by an independent external appraiser, using recognized valuation techniques - primarily the discounted cash flow and direct capitalization methods. Based on these models, the carrying values of these properties that recorded a prior impairment loss were increased to their estimated fair values and a reversal of impairment of $5.5 million (June 30, 2023 - $nil) was recorded in the consolidated statements of operations and comprehensive income (loss).

Amortization of property and equipment, investment property and intangible assets decreased 3.1 per cent to $90.8 million and 1.4 per cent to $170.8 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023.

Interest expense and other financing costs, net of interest income, decreased 10.0 per cent to $65.5 million and 11.1 per cent to $131.0 million during the three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023. The decreases were due to the increase in interest income associated with an increase in unrestricted cash, cash equivalents and short-term investment balances, partially offset by increased interest expense from commercial paper debt issuances to fund capital project expenditures, when compared to the same periods of 2023.

**Net Operating Results**

The following table summarizes the GTAA's consolidated net operating results for the three- and six-month periods ended June 30, 2024 and 2023.

| | For the periods ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months | | | | Six months | | | |
| **Net Operating Results** | **2024** | 2023 | Change [1] | | **2024** | 2023 | Change [1] | |
| *($ millions)* | | | $ | % | | | | % |
| Net Income | **86.4** | 81.1 | 5.3 | 6.6 | **160.1** | 129.9 | 30.2 | 23.2 |
| Add: Interest and financing costs, net | **65.5** | 72.7 | (7.2) | (10.0) | **131.0** | 147.4 | (16.4) | (11.1) |
| Earnings before interest and financing costs, net | **151.9** | 153.8 | (1.9) | (1.2) | **291.1** | 277.3 | 13.8 | 5.0 |
| Add: (Reversal) Impairment of investment property | **(5.5)** | — | (5.5) | 100.0 | **(5.5)** | — | (5.5) | 100.0 |
| Add: Amortization [2] | **90.8** | 93.7 | (2.9) | (3.1) | **170.8** | 173.2 | (2.4) | (1.4) |
| EBITDA [3] | **237.2** | 247.5 | (10.3) | (4.2) | **456.4** | 450.5 | 5.9 | 1.3 |
| EBITDA Margin [3] | **48.9 %** | 53.4 % | | (4.5)pp | **47.8 %** | 50.7 % | | (2.9)pp |

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

During the three- and six-months ended June 30, 2024, the GTAA generated net income of $86.4 million and $160.1 million, an improvement in operating results of $5.3 million and $30.2 million, respectively, when compared to the same periods of 2023. The improvement in operating results was due to higher revenues associated with the increase in operating activity and a decrease in interest expense, partially offset by an increase in operating costs during the second quarter and first half of 2024.

During the three- and six-months ended June 30, 2024, earnings before interest and financing costs, and amortization ("EBITDA") decreased 4.2 per cent to $237.2 million and increased 1.3 per cent to $456.4 million, respectively, when compared to the same periods of 2023. The decrease in EBITDA during the second quarter of 2024 was due to the increase in operating costs (before amortization) offsetting the increase in revenues. The increase in EBITDA during the first half of 2024 was primarily due to the increase in revenues associated with higher operating activity, partially offset by the increase in operating costs (before amortization). EBITDA is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The EBITDA margin decreased by 4.5 percentage points to 48.9 per cent and 2.9 percentage points to 47.8 per cent during three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023, due to a lower percentage increase in revenues over the higher percentage increase in operating costs (before amortization). EBITDA margin 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 September 30, 2022 through June 30, 2024, is set out in the following table.

| | Quarter Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | | | 2022 | |
| ($ millions) [1] | Jun | Mar | Dec | Sep | Jun | Mar | Dec | Sep |
| Revenues | 485 | 469 | 492 | 505 | 464 | 426 | 403 | 422 |
| Operating expenses [2] | 248 | 249 | 263 | 225 | 216 | 223 | 211 | 194 |
| Write-down of property and equipment | — | — | 35 | — | — | — | — | — |
| (Reversal) Impairment of investment property | (6) | — | 8 | 18 | — | | 23 | — |
| Amortization [3] | 91 | 80 | 82 | 92 | 94 | 79 | 101 | 74 |
| Earnings before interest and financing costs, net | 152 | 140 | 104 | 170 | 154 | 124 | 68 | 154 |
| Interest and financing costs, net | 66 | 66 | 69 | 70 | 73 | 75 | 77 | 80 |
| Net Income (Loss) | 86 | 74 | 35 | 100 | 81 | 49 | (9) | 74 |

1 Rounding may result in the figures differing from the results reported in the condensed consolidated interim financial statements and annual audited consolidated financial statements.
2 Operating expenses exclude write-down of property and equipment, (reversal)/impairment of investment property, and amortization[3].
3 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 may not be indicative of future trends.

# CAPITAL PLAN, PROGRAMS AND PROJECTS

**Current Capital Programs and Projects**

During the first six months of 2024, the GTAA funded capital investments through operating cash flows, issuances of commercial paper and proceeds received from the ACIP. The GTAA may access the capital markets as required to fund future capital expenditures. The GTAA's most significant current capital programs and projects, progress-to-date and capital funds expended are as follows:

**Pearson LIFT**

Pearson LIFT is an investment in Canada's future economic prosperity and is poised to generate billions of dollars in economic benefits. These necessary investments will strengthen the supply chain, open the door to new opportunities for Canadian businesses, and create jobs in the Greater Toronto Area enabling sustainable growth and competitiveness on a global scale.

In 2024, the GTAA commenced and will continue engaging Airport partners, including airlines, border and security agencies, government, commercial partners and other stakeholders on the features, elements and impact of Pearson LIFT.

Benefits to be derived from Pearson LIFT include:

- protecting and enhancing Canada's direct air connectivity to global economies;
- creating a world-class airport experience as a first impression for arriving visitors;
- growing the economy and creating jobs through business and investment opportunities;
- reducing environmental impacts to advance Canada's climate goals and energy transition; and
- making it easier to get to the Airport by facilitating transit connections to surrounding regions for passengers, cargo and employees.

The objectives of the first program of Pearson LIFT, called Accelerator, are:

- increase capacity - to address the growing passenger demand;
- resilience and restoration – to upgrade the airfield lighting and electrical systems as well as restore deteriorating pavement, addressing obsolescent assets, and achieving resilience;
- cargo capacity expansion – to begin cargo capacity expansion by developing the North Apron; and
- path to net zero – to progress towards the GTAA's corporate net zero Greenhouse Gas ("GHG") emissions target and meet federally mandated GHG requirements.

The GTAA is developing other programs that focus on revitalization and expansion of airport facilities and infrastructure.

**Airside Pavement Restoration Program**

The 2020–2024 Airside Pavement Restoration Program is underway, rehabilitating an estimated 1.5 million square meters of airside surfaces. The program is based on current pavement condition surveys and predictive restoration modelling. During 2024, the plans include rehabilitating approximately 465,400 square meters of airside surfaces, including runway 15R33L, taxiways and apron slabs. The overall budget for this program is $296 million. From the inception of the Airside Pavement Restoration Program to June 30, 2024, the GTAA has expended $239.0 million. This program is eligible for partial reimbursements under ACIP and has received $80.4 million to date.

**Baggage-Handling Infrastructure Program**

In 2018, the GTAA began the multi-year Baggage-Handling Infrastructure Program in both its terminals to add baggage-handling capacity, to improve system reliability and dependability, and to meet current as well as future anticipated baggage processing requirements, consisting of four phases. Phase 1 of the program commenced in the fourth quarter of 2018 and included four design-build work packages that were intended to enhance the way the Airport's baggage processing systems operate, and to enhance the passenger experience. Three of the four work packages of Phase 1 are complete. The fourth work package, which was suspended during the COVID-19 pandemic, was reinstated in 2023 and is expected to be completed during 2024. The overall budget for Phase 1 of this program is $235 million. The GTAA is currently updating its condition assessment of the other phases of the baggage handling system and developing a capital plan to remediate any issues assessed, and grow capacity to meet increasing demand, all to be coordinated within the planned expansion of Pearson LIFT. From the inception of the Baggage-Handling Infrastructure Program to June 30, 2024, the GTAA has expended $228.8 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. The previously installed systems have reached the end-of-support-life stage and need to be replaced. Additionally, these previously installed systems do not provide new and critical touchless and/or low-touch processes for all passengers and thus restrict efficiency and flow. As a result, the GTAA has procured, received and is implementing the next-generation check-in solution at the Terminals as a replacement. The objective of this project is to achieve:

- increased passenger flow and decreased processing times, creating more efficient flow and thus effective use of available Airport capacity, reduced bottlenecks, and an improved passenger experience;
- greater flexibility to adapt to regulatory changes and new airline check-in and boarding solutions;
- increased operational resiliency, reliability and reduced check-in and boarding failures/incidents; and
- streamlined processes for check-in that eliminate touchpoints and reduce inputs for passengers that require additional assistance.

From the inception of this project to June 30, 2024, the GTAA has:

- installed 282 new common-use check-in self-serve kiosks fully compliant with Canadian Transportation Agency accessibility regulations (70 per cent complete), which are quicker and easier to use, and reported an approximate 50 per cent reduction in incidents; and
- completed the deployment of 932 new common-use passenger processing agent workstations for airline personnel (100 per cent complete) resulting in a reduction in incidents by approximately 65 per cent.

The overall budget for this project is $35 million. From the inception of the Biosecurity-enabled Check-In and Boarding Processing project to June 30, 2024, the GTAA has expended $29.3 million. This project is eligible for partial reimbursements under ACIP and has received $11.7 million to date.

**Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance**

In the fall of 2019, the GTAA and Canada Border Services Agency ("CBSA") undertook a comprehensive passenger-centric project called “Reimagining Arrivals” to review different approaches and technology for the CBSA border clearance processes. At that time, both organizations agreed on the critical need for a path forward to transform the arriving and connecting CBSA border clearance process in the Airport environment. The process will continue to be modernized through technology while at the same time transitioning the service to the airport of the future by delivering “no-touch”/reduced-touch processing while enhancing and improving passenger flow. The objective of this project is to achieve:

- faster passenger processing times;
- less face-to-face officer interaction and handling of documents;
- greater throughput of passengers in limited physical spaces;
- improved identification of fraudulent documents; and
- the use of industry-leading Digital Travel Credentials on the e-gates and kiosks to process passengers as this technology comes online in Canada.

From the inception of this project to June 30, 2024, the GTAA has:

- installed the replacement of 321 old generation kiosks with new international arrival kiosks in Terminals 1 and 3 resulting in a 25 per cent improvement in processing times as well as improving the biometric matching and passport read rates by approximately 30 per cent;
- retrofitted 186 of the most used arrival kiosks with dual printers to increase capacity and reduce paper changes throughout the day;
- updated the Nexus application on both types of kiosks and e-gates to allow for first time registration removing the need to see an officer;

- introduced a kiosk monitoring solution enabling the kiosk to operate offline during CBSA outages, provide automate incident reporting, and provide low paper notifications to the support staff and provide usage statistics to the airport without reliance on CBSA; and
- 80 new digital screens in the customs halls which display content such as wait times and real-time availability of devices so passengers know what to do and where to go.

The overall budget for this project is $29 million. From the inception of the Border Modernization project to June 30, 2024, the GTAA has expended $25.0 million. This project is eligible for partial reimbursements under ACIP and has received $11.5 million to date.

**Infield Concourse ("IFC") Modernization**

The IFC modernization project aims to refurbish six existing gates and add five additional gates at the infield concourse located west of Terminal 3. The primary objective of the project is to accommodate passenger growth and maintain gate availability and processing resilience during any operational disruptions caused by the various capital projects underway at Terminals 1 and 3. In 2023, five new passenger boarding bridges were installed increasing the total available bridges to eleven at the IFC. For 2024, the plan includes three phases of interior renovations with improvements to washrooms, passenger holdrooms, and new amenities such as a nursing room, universal washroom, and a quiet room. Phases one and two of the interior renovations were completed during the second quarter of 2024 and phase three is expected to be completed in the third quarter of 2024. The overall budget for this project is $47 million. From the inception of the IFC modernization project to June 30, 2024, the GTAA has expended $41.7 million.

**Terminal 1 Washroom Revitalization**

The Terminal 1 Washroom Revitalization project consists of the reconstruction and renovation of 39 public-facing washroom banks in Terminal 1. The primary objective of this multi-year project is to standardize and modernize with new key features that will improve the passenger experience and meet all accessibility requirements. In addition to top quality fixtures and finishes, this project will bring new innovations, such as smart technology to monitor consumables and improved accessibility features. In 2024, about 14 washroom banks are expected to be completed with the first phase expected to be open during the third quarter of 2024. The overall budget for this project is $67 million. From the inception of the Terminal 1 Washroom Revitalization project to June 30, 2024, the GTAA has expended $16.9 million.

**Fleet Equipment**

As part of the Airport's fleet replenishment plan, the GTAA received two new fire trucks and 22 new pieces of snow removal equipment including seven loaders, five snow cutter blowers, four spray trucks, three compact multi-task vehicles and three tractors with tow-behinds. The addition of these new vehicles added resiliency to the GTAA's fleet, ensuring sufficient operational vehicles to clear the runways and taxiway surfaces at Toronto Pearson. In addition, the GTAA is sourcing two fire trucks, four high speed, high-capacity blowers, five plow sweeper blower units, six deicing trucks and 30 light fleet vehicles, to be received by the fourth quarter of 2024. The overall budget for this project is $94 million. From the inception of the project to June 30, 2024, the GTAA has expended $35.6 million.

**Airport Critical Infrastructure Program**

In 2022, Transport Canada announced up to $142.0 million in funding to the GTAA under the ACIP, representing 50 per cent of eligible expenditures of certain programs and projects, to support continued air services and important transportation infrastructure projects at Toronto Pearson. The ACIP is intended to help airports mitigate the financial impact of the COVID-19 pandemic, as part of the Government of Canada's strategy to ensure that Canada's air transportation system provides Canadians with choice, connectivity and affordable air travel. The funding is being used to offset costs associated with GTAA's projects on:

- the restoration of its runways;
- the development and installation of new check-in service kiosks, boarding and border clearance kiosk systems; and
- further studies and production of a development concept to connect Toronto Pearson with the proposed extension of the Eglinton Crosstown Light Rail Transit.

Since the inception of the ACIP to June 30, 2024, the GTAA has received $103.6 million in funding from Transport Canada. The remaining funds are expected once eligible project work is complete, and claims and holdbacks are processed.

## ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at June 30, 2024 as compared to December 31, 2023, are set out in the following table.

| *($ millions)* | **June 30, 2024** | December 31, 2023 | Change |
|---|---|---|---|
| Total assets | **7,008.2** | 6,770.1 | 238.1 |
| Total liabilities | **7,453.4** | 7,376.0 | 77.4 |
| **Deficit and accumulated other comprehensive loss** | **(445.2)** | (605.9) | 160.7 |

As at June 30, 2024, when compared to December 31, 2023, the GTAA's total assets increased by $238.1 million primarily due to increases of $209.9 million in cash and cash equivalents, $41.4 million in accounts receivable, $16.8 million in restricted funds, $15.0 million in short-term investments and $6.7 million in prepaids, partially offset by decreases of $38.0 million in the net book value of property and equipment, $9.1 million in the ACIP receivable and $9.6 million in intangibles and other assets. The GTAA's total liabilities increased by $77.4 million primarily due to an increase of $83.5 million in commercial paper borrowings and accrued interest and $17.7 million in security deposits and deferred revenue, partially offset by decreases of $13.5 million in accounts payable and accrued liabilities and $8.0 million in the ACIP payment. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of $445.2 million as at June 30, 2024, as reported in the condensed interim consolidated statements of financial position, has decreased $160.7 million when compared to December 31, 2023 due to the earnings during the first six months of 2024, which is attributable primarily to the increase in passenger and flight activity.

## LIQUIDITY AND CAPITAL RESOURCES

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

| | For the periods ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | Three months | | | Six months | | |
| *($ millions)* | **2024** | 2023 | Change | **2024** | 2023 | Change |
| Cash Flows from Operating Activities | **211.8** | 260.5 | (48.7) | **426.1** | 458.0 | (31.9) |
| Capital expenditures [1] - property and equipment | **(64.0)** | (56.3) | (7.7) | **(142.3)** | (127.2) | (15.1) |
| Capital expenditures [1] - investment property | **(1.1)** | (0.3) | (0.8) | **(2.5)** | (1.3) | (1.2) |
| Funds received under the ACIP | **—** | 16.4 | (16.4) | **10.4** | 89.5 | (79.1) |
| Interest Income | **18.8** | 8.7 | 10.1 | **35.8** | 14.6 | 21.2 |
| Interest paid and other financing costs [2] | **(125.6)** | (128.3) | 2.7 | **(170.5)** | (164.7) | (5.8) |
| **Free Cash Flow [3]** | **39.9** | 100.7 | (60.8) | **157.0** | 268.9 | (111.9) |
| Decrease (Increase) in restricted funds | **32.8** | 31.5 | 1.3 | **(16.8)** | (25.5) | 8.7 |
| Decrease (Increase) in short-term investments | **(55.0)** | — | (55.0) | **(15.0)** | — | (15.0) |
| Borrowings (Repayments), net | **25.0** | 79.9 | (54.9) | **84.7** | 79.9 | 4.8 |
| **Net Cash Inflow/(Outflow)** | **42.7** | 212.1 | (169.4) | **209.9** | 323.3 | (113.4) |

| | As at June 30 | | |
|---|---|---|---|
| | **2024** | 2023 | Change |
| Total Debt | **7,068.7** | 6,882.1 | 186.6 |
| Cash, cash equivalents and short-term investments | **(953.4)** | (417.1) | (536.3) |
| Restricted funds | **(441.7)** | (437.9) | (3.8) |
| **Net Debt [4]** | **5,673.6** | 6,027.1 | (353.5) |
| **Key Credit Metrics** | | | |
| Total Debt / Enplaned Passenger [5] ($) | **306** | 325 | (5.8) % |
| Net Debt [4] / Enplaned Passenger [5] ($) | **246** | 285 | (13.7) % |

1 Capital expenditures - property and equipment relate to acquisition and construction of property and equipment and intangible assets; Capital expenditures - investment property are acquisitions of investment property. Both are per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at June 30, 2024.

2 Interest paid and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation, as per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at June 30, 2024.

3 Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows, and ACIP grants received less interest and financing costs paid net of interest income, and capital expenditures (projects, property acquisitions, and other). Refer to section "Non-GAAP Financial Measures".

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

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

During three- and six-months ended June 30, 2024, respectively, when compared to the same periods of 2023:

- cash flows from operations decreased $48.7 million to $211.8 million and $31.9 million to $426.1 million primarily due to the increase in operating costs (before amortization) offsetting the increase in revenues;
- free cash flow decreased $60.8 million to $39.9 million and $111.9 million to $157.0 million primarily driven by the decreases in cash flows from operations and funds received under the ACIP and an increase in capital expenditures, partially offset by an increase in interest income. Free cash flow is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section for additional information; and
- net cash inflow decreased $169.4 million to $42.7 million and $113.4 million to $209.9 million primarily due to the decrease in free cash flow and the increase in short-term investments. In addition, the second quarter of 2024 incurred a reduction in incremental borrowings.

Gross Debt increased by $186.6 million to $7,068.7 million as at June 30, 2024 when compared to June 30, 2023 due to the incremental commercial paper borrowings used to fund capital expenditures. Net Debt decreased by $353.5 million to $5,673.6 million as at June 30, 2024 when compared to June 30, 2023 mainly due to an increase in cash, cash equivalents and short-term investments of $536.3 million, partially offset by the increase in gross debt. Net Debt is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Based on the prior 12 months passenger activity, the GTAA's total debt per enplaned passenger, one of the capital markets key financial credit quality metrics, declined from $325 as at June 30, 2023 to $306 as at June 30, 2024 due to higher passenger volumes partially offset by an increase in gross debt; and net debt per enplaned passenger declined from $285 as at June 30, 2023 to $246 as at June 30, 2024 due to the same reasons and higher ending unrestricted cash, cash equivalents and short-term investment balances. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" for additional information.

An overall Capital Markets Platform has been established by the GTAA with the Master Trust indenture ("MTI") setting out the security interests and other common terms and conditions of all debt, including bank facilities, revenue bonds and medium-term-notes ("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 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"). The GTAA's commercial paper ("CP") obligations have been assigned a credit rating by DBRS Morningstar ("DBRS"). The table below sets out each rating agency's issuer rating and each rating agency's corresponding credit rating of the GTAA's outstanding MTNs and commercial paper as at June 30, 2024:

| | **S&P** | **Moody's** | **DBRS** |
|---|---|---|---|
| Issuer Rating | A+ | Aa3 | A (high) |
| MTN Rating | A+ | Aa3 | - |
| Commercial Paper Rating | - | - | R-1 (low) |
| Outlook | Stable | Stable | Stable |
| Last Affirmation Date | January 16, 2024 | May 1, 2024 | August 16, 2023 |

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of debt securities. Credit ratings are not a recommendation to buy, sell or hold securities of GTAA and do not comment as to market price or suitability for a particular investor. There can be no assurance that a rating will remain in effect for any given period of time or that the rating will not be revised or withdrawn at any time by the rating agency. The GTAA's Annual Information Form for the year ended December 31, 2023, contains more detailed information about the GTAA's credit ratings.

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, such as the ability to withstand air traffic disruptions, are met, and to access capital markets as may be required. The GTAA monitors its cash flow requirements and conducts consistent analysis of trends and expected fluctuations in the Company's liquidity and capital resources. Additionally, effective June 2023, the GTAA implemented a number of new financial risk resilience measures including achieving and maintaining a target amount of unrestricted cash on hand equal to approximately 300 days of average daily operating expenses. Management believes that achieving and maintaining such a target increases the Company's ability to withstand significant and adverse disruptions to travel which would drive reduced or negative cash flows. Given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, government assistance to date, positive cash flow from operations, its effective management of capital expenditures, and its unrestricted cash-on-hand, the GTAA does not anticipate any funding shortfalls in the near future and expects to continue to meet its payment obligations as they come due.

As at June 30, 2024, the GTAA had an aggregate of $2,089.0 million in total available liquidity comprised of $1,112.9 million borrowing capacity available under its Operating Credit Facility, $22.7 million available under its Letter of Credit Facility, $543.4 million of unrestricted cash and cash equivalents, and $410.0 million of short-term investments. The unrestricted cash, cash equivalents and short-term investments were invested in short-term, highly liquid investment instruments in line with the GTAA's risk appetite, Investment Policy and the MTI.

| **Liquidity and Credit Facilities** *($ millions)* | | | | **June 30, 2024** | | December 31, 2023 |
|---|---|---|---|---|---|---|
| **Source** | **Currency** | **Expiry** | **Size** | **Drawn / CP Backstop** | **Available** | Available |
| **Cash and cash equivalents** [1] | CAD | | | | **543.4** | 333.6 |
| **Short-term investments** [1] (STI) | CAD | | | | **410.0** | 395.0 |
| | | | | | **953.4** | 728.6 |
| **Credit facilities:** | | | | | | |
| 1) Operating Credit Facility [2,3] | CAD | May 31, 2027 | 1,400.0 | — | **1,400.0** | 1,400.0 |
| Commercial paper backstop [3] | | | | 287.1 | **(287.1)** | (202.5) |
| Available for general use | | | | | **1,112.9** | 1,197.5 |
| 2) Letter of Credit Facility | CAD | May 31, 2025 | 160.0 | 137.3 | **22.7** | 36.9 |
| | | | 1,560.0 | 424.4 | **1,135.6** | 1,234.4 |
| **Total net liquidity** (includes cash & STI) | | | | | **2,089.0** | 1,963.0 |
| 3) Hedge Facility [4] | CAD | Per contract | 150.0 | — | **150.0** | 150.0 |
| **Total** (all credit facilities, cash & STI) | | | **1,710.0** | **424.4** | **2,239.0** | 2,113.0 |

1 Unrestricted funds.
2 The Operating Credit Facility is a committed bank facility which is revolving in nature.
3 As at June 30, 2024, there was $287.1 million outstanding CP to backstop.
4 The Hedge Facility is a non-cash facility and allows the Corporation to enter into derivative transactions. Any amounts reported represent 'mark-to-market' losses on outstanding contracts.

The GTAA maintains the credit facilities set out in the above table. These facilities rank *pari passu* with outstanding debt under the MTI by way of a pledged bond issued to the banking syndicate. The $1,400.0 million Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses as required, provide a credit backstop to 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 June 30, 2024, $287.1 million CP was outstanding, no amounts were drawn from the Operating Credit Facility, $137.3 million of the $160.0 million Letter of Credit Facility was utilized, and there were no outstanding contracts under the $150.0 million hedge facility.

As at June 30, 2024, the GTAA had a working capital surplus of $538.3 million, computed by subtracting current liabilities from current assets. This was primarily due to the large unrestricted cash, cash equivalents and short-term investments balances, as a result of positive cash flow from operations, the new financial risk resilience measure and receipt of the ACIP funding, partially offset by the commercial paper issuances and interest payable on long-term debt. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. Given the GTAA's total available liquidity of $2,089.0 million, Management believes that the available credit under the Operating Credit Facility, its cash flows from operations, unrestricted 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 for the foreseeable future.

The following table analyzes the GTAA's short- and long-term contractual obligations in nominal dollars as at June 30, 2024 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 (gross) cash flows based on the earliest date on which the GTAA can be required to pay. The debt obligations include both principal and interest cash flows.

| **Contractual Obligations** *($ millions)* | **Total** | **Gross Payments Due by Period** **Less than 1 year** | **1 year to 3 years** | **4 years to 5 years** | **Thereafter** |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | **229.9** | 229.9 | — | — | — |
| Purchase obligations [1] | **927.9** | 373.1 | 289.2 | 80.2 | 185.4 |
| Commercial paper | **287.1** | 287.1 | — | — | — |
| Long-term debt principal | **6,752.7** | 25.0 | 54.8 | 1,383.7 | 5,289.2 |
| Interest payable on long-term debt | **3,480.4** | 320.2 | 635.4 | 589.0 | 1,935.8 |
| | **11,678.0** | **1,235.3** | **979.4** | **2,052.9** | **7,410.4** |

[1] Purchase obligations include operating commitments for goods and services contracts as at June 30, 2024 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 commitments of approximately $183.4 million.

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

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding as at June 30, 2024 of approximately $183.4 million, compared to $205.1 million at December 31, 2023. In the short term, the GTAA expects to fund these commitments primarily through operating cash flows.

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

## NON-GAAP FINANCIAL MEASURES

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

### EBITDA and EBITDA Margin

EBITDA is earnings from operations before interest and financing costs, (reversal)/impairment of investment property, write-down of property and equipment, and amortization. EBITDA margin is EBITDA divided by revenues. EBITDA is a commonly used measure of a company's operating performance. This is used to evaluate the GTAA's performance without having to factor in financing and accounting decisions.

### Free Cash Flow

Free Cash Flow ("FCF") is cash flows from operating activities per the consolidated statements of cash flows, and ACIP grants received less capital expenditures (property and equipment, investment property, and other) 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 unrestricted cash, cash equivalents and short-term investments and restricted funds.

**Net Debt per Enplaned Passenger**

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

**Net Liquidity**

Net liquidity is defined as the total borrowing capacity available for general corporate purposes under its Operating Credit Facility, capacity available under its Letter of Credit Facility and unrestricted cash, cash equivalents and short-term investments. Net liquidity is a measure that demonstrates GTAA's ability to meet its short-term obligations.

**Days Cash on Hand**

Days cash on hand is defined as unrestricted cash, cash equivalents and short-term investments divided by the average daily operating expenses (excluding non-cash items). The GTAA's target is to achieve and maintain a balance of unrestricted cash on hand equal to at least 300 days of average daily operating expenses. Management believes that such a target increases the Company's ability to withstand financial impact of disruptions to travel which would drive reduced cash flows.

**Air Carrier Cost / Enplaned Passenger**

Air Carrier Cost / Enplaned Passenger ("CPE") is air carrier cost per enplaned passenger. Air Carrier Cost is based on the prior 12 months aeronautical revenue activity. CPE is a common industry measurement of airport efficiency to gain an understanding of an airport's financial position as it relates to air carriers.

## SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of the GTAA and changes thereto are set out in Note 2 of the Condensed Interim Consolidated Financial Statements as at June 30, 2024 and 2023. These condensed interim 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 amendment effective January 1, 2024. This change was made in accordance with the applicable transitional provisions.

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

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

## RELATED PARTY TRANSACTIONS

As a corporation without share capital, the GTAA has Members rather than shareholders. The Members of the GTAA are also its directors. The GTAA is governed by a 15-member Board of Directors. Seven Directors are elected by the

Members from candidates who are identified and assessed through a search process. Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto. Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario. Currently, there is one vacancy.

The Government of Canada and its respective government-related entities are related parties for accounting purposes only due to their ability to nominate Members, and due to the material nature of the Ground Lease. In accordance with International Financial Reporting Standards ("IFRS"), this meets the definition of significant influence, but not control. The GTAA has applied the exemption for government-related entities to disclose only significant transactions.

The GTAA’s related parties also include Key Management personnel. Key Management includes the President and Chief Executive Officer (“CEO"), the Chief Financial Officer (“CFO"), the Chief Operating Officer and other executives who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. As at June 30, 2024, the GTAA had normal course transactions with Key Management personnel in the ordinary course of their employment with the GTAA. The GTAA’s Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of Management under applicable securities policies. In this respect, the GTAA only had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as an independent director.

## INTERNAL CONTROLS AND PROCEDURES

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

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

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

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

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

**Management’s Report on Disclosure Controls and Procedures**

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at June 30, 2024, 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 in Internal Control — Integrated Framework (2013). Based on that evaluation, Management and the CEO and CFO have concluded that, as at June 30, 2024, 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 three- and six-months ended June 30, 2024 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 or mitigate such risks.

The GTAA has established an Enterprise Risk Management 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.sedarplus.ca for a discussion of risk factors that could materially affect the GTAA's business, operating results, and financial condition. The risk factors described in the Annual Information Form are not the only risks and uncertainties that the Corporation faces. Additional risks and uncertainties not presently known to the GTAA or that the GTAA considers immaterial may also materially and adversely affect its business operations.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains certain forward-looking statements or forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information.

Words such as "believe", "expect", "plan", "predict", "project", "intend", "estimate", "preliminary", "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "may", "should", "would" and "could" often identify forward-looking information. Specific forward-looking information in this document includes, among others, statements regarding the following: expected domestic and international passenger traffic and cargo; expected return to pre-COVID-19 passenger and flight levels; investment in the Airport including with respect to capital projects and physical infrastructure; future Airport demand or activity; the GTAA's borrowing requirements and its ability to access the capital markets; the GTAA's ability to comply with covenants; debt levels and service costs; revenues, cash flows, working capital and liquidity and no funding shortfalls; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; budgets and expenditures relating to capital programs and the funding of such programs; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport; the use of certain restricted reserve funds; and the funding of outstanding capital commitments.

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

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

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

# Condensed Interim Consolidated Financial Statements of the Greater Toronto Airports Authority

## June 30, 2024

GTAA

# Greater Toronto Airports Authority
# Condensed Consolidated Statements of Financial Position

| (unaudited) (in thousands of Canadian dollars) | June 30 2024 | December 31 2023 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **543,425** | 333,554 |
| Short-term investments | **410,000** | 395,000 |
| Restricted funds | **82,432** | 69,789 |
| Accounts receivable | **152,085** | 110,659 |
| Airport Critical Infrastructure Program receivable | **813** | 9,908 |
| Inventory | **22,114** | 18,416 |
| Prepaids | **15,423** | 8,689 |
| | **1,226,292** | 946,015 |
| Non-current assets | | |
| Restricted funds | **359,289** | 355,116 |
| Intangibles and other assets | **114,176** | 123,800 |
| Property and equipment (Note 3) | **4,836,272** | 4,874,298 |
| Investment property | **409,224** | 406,881 |
| Post-employment benefit asset | **62,938** | 64,002 |
| | **7,008,191** | 6,770,112 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **229,949** | 243,439 |
| Deferred credit | **—** | 1,697 |
| Deferred ground rent payable | **8,556** | 8,556 |
| Airport Critical Infrastructure Program payment | **—** | 7,954 |
| Security deposits and deferred revenue | **77,527** | 59,789 |
| Long-term debt and commercial paper (Note 4) | **372,007** | 288,532 |
| | **688,039** | 609,967 |
| Non-current liabilities | | |
| Post-employment benefit liabilities | **11,822** | 11,605 |
| Long-term debt (Note 4) | **6,696,665** | 6,694,745 |
| Deferred ground rent payable | **56,923** | 59,662 |
| | **7,453,449** | 7,375,979 |
| Deficit and Accumulated Other Comprehensive Loss | **(445,258)** | (605,867) |
| | **7,008,191** | 6,770,112 |

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

# Greater Toronto Airports Authority
# Condensed Consolidated Statements of Operations and Comprehensive Income

| (unaudited) (in thousands of Canadian dollars) | Three Months Ended June 30 2024 | 2023 | Six Months Ended June 30 2024 | 2023 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| **Revenues** | | | | |
| Landing fees | **103,788** | 101,563 | **203,332** | 202,448 |
| General terminal charges | **62,232** | 60,219 | **121,604** | 119,048 |
| Airport improvement fees | **163,264** | 153,770 | **322,411** | 283,619 |
| Car parking and ground transportation | **60,111** | 57,638 | **119,322** | 111,108 |
| Concessions | **37,599** | 36,459 | **72,221** | 66,243 |
| Rentals | **42,829** | 39,556 | **84,804** | 79,167 |
| Other | **15,493** | 14,553 | **30,111** | 27,803 |
| | **485,316** | 463,758 | **953,805** | 889,436 |
| **Operating Expenses** | | | | |
| Ground rent | **54,874** | 53,474 | **107,858** | 101,224 |
| Goods and services | **119,938** | 104,652 | **241,818** | 220,614 |
| Salary, wages and benefits | **65,179** | 55,237 | **131,410** | 111,328 |
| Payments-in-lieu of real property taxes | **8,164** | 2,907 | **16,329** | 5,815 |
| (Reversal) Impairment of investment property | **(5,517)** | — | **(5,517)** | — |
| Amortization of property and equipment | **80,578** | 84,627 | **151,567** | 156,578 |
| Amortization of intangibles | **7,338** | 5,815 | **13,518** | 10,335 |
| Amortization of investment property | **2,876** | 3,225 | **5,706** | 6,219 |
| | **333,430** | 309,937 | **662,689** | 612,113 |
| Earnings before interest and financing costs, net | **151,886** | 153,821 | **291,116** | 277,323 |
| Interest income | **18,808** | 8,606 | **35,765** | 14,545 |
| Interest expense on debt instruments and other financing costs | **(84,269)** | (81,319) | **(166,815)** | (161,925) |
| Interest and financing costs, net (Note 4) | **(65,461)** | (72,713) | **(131,050)** | (147,380) |
| **Net Income** | **86,425** | 81,108 | **160,066** | 129,943 |
| Items that will be reclassified subsequently to Net Income: | | | | |
| Amortization of terminated hedges and interest rate swap | **271** | 271 | **543** | 543 |
| Items that will not be reclassified subsequently to Net Income: | | | | |
| Pension and non-pension remeasurements, net | **—** | 1,113 | **—** | 4,041 |
| **Other Comprehensive Income** | **271** | 1,384 | **543** | 4,584 |
| **Total Comprehensive Income** | **86,696** | 82,492 | **160,609** | 134,527 |

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

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

| For six months ended June 30, 2024<br>(unaudited) (in thousands of Canadian dollars) | **Deficit** | **Accumulated Other Comprehensive Loss** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| **Balance, January 1, 2024** | **(590,742)** | **(15,125)** | **(605,867)** |
| Net Income | **160,066** | **—** | **160,066** |
| Amortization of terminated hedges and interest rate swap | **—** | **543** | **543** |
| Total Comprehensive Income for the period | **160,066** | **543** | **160,609** |
| **Balance, June 30, 2024** | **(430,676)** | **(14,582)** | **(445,258)** |

| For six months ended June 30, 2023<br>(unaudited) (in thousands of Canadian dollars) | Deficit | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, January 1, 2023 | (855,137) | (16,211) | (871,348) |
| Net Income | 129,943 | — | 129,943 |
| Amortization of terminated hedges and interest rate swap | — | 543 | 543 |
| Pension and non-pension remeasurements, net | 4,041 | — | 4,041 |
| Total Comprehensive Income for the period | 133,984 | 543 | 134,527 |
| Balance, June 30, 2023 | (721,153) | (15,668) | (736,821) |

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

# Greater Toronto Airports Authority
# Condensed Consolidated Statements of Cash Flows

| For six months ended June 30<br>(unaudited) (in thousands of Canadian dollars) | **2024** | 2023 |
|---|---|---|
| **Cash Flows from (used in) Operating Activities** | **$** | $ |
| Net Income | **160,066** | 129,943 |
| Adjustments for: | | |
| Amortization of property and equipment | **151,567** | 156,578 |
| Amortization of intangibles and other assets | **17,237** | 12,883 |
| Amortization of investment property | **5,706** | 6,219 |
| (Reversal) Impairment of investment property | **(5,517)** | — |
| Post-employment benefit plans | **1,281** | 208 |
| Interest and financing costs, net | **131,050** | 147,380 |
| Amortization of deferred credit | **(1,697)** | (1,101) |
| Deferred ground rent payable | **(2,739)** | 1,558 |
| Changes in working capital and other: | | |
| Accounts receivable | **(41,426)** | 1,270 |
| Prepaids | **(6,734)** | (6,906) |
| Inventory | **(3,698)** | (2,292) |
| Accounts payable and accrued liabilities | **3,311** | 22,385 |
| Security deposits and deferred revenue | **17,738** | (3,756) |
| Other liabilities | **—** | (6,390) |
| | **426,145** | 457,979 |
| **Cash Flows from (used in) Investing Activities** | | |
| Short-term investments, net | **(15,000)** | — |
| Acquisition and construction of property and equipment and intangible assets | **(142,267)** | (127,171) |
| Acquisition and construction of investment property | **(2,531)** | (1,264) |
| Funds received under the Airport Critical Infrastructure Program | **10,390** | 89,493 |
| Increase in restricted funds | **(16,816)** | (25,511) |
| | **(166,224)** | (64,453) |
| **Cash Flows from (used in) Financing Activities** | | |
| Commercial paper, net | **84,642** | 79,861 |
| Interest paid and other financing costs | **(170,457)** | (164,653) |
| Interest received | **35,765** | 14,546 |
| | **(50,050)** | (70,246) |
| **Net Cash Inflow** | **209,871** | 323,280 |
| **Cash and cash equivalents, beginning of period** | **333,554** | 93,804 |
| **Cash and cash equivalents, end of period** | **543,425** | 417,084 |

As at June 30, 2024, cash and cash equivalents consisted of cash of $26.0 million (December 31, 2023 – $23.2 million) and cash equivalents of $517.4 million (December 31, 2023 – $310.4 million).

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

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2024 and 2023 (unaudited)
(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

## 1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As these condensed interim consolidated financial statements do not include all information required for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the 2023 annual financial statements.

In applying the Greater Toronto Airports Authority's ("GTAA") accounting policies, as described in Note 2, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same accounting policies and methods of computation as those disclosed in the December 31, 2023 consolidated financial statements except as described below.

These condensed interim consolidated financial statements were approved for issue on August 7, 2024 by the Audit Committee of the Board of Directors.

### Changes in Accounting Policy and Disclosures

The GTAA has adopted the following amendment effective January 1, 2024. This change was made in accordance with the applicable transitional provisions.

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

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

## 3. PROPERTY AND EQUIPMENT

The following tables summarize the changes in property and equipment for the six months ended June 30, 2024 and year-ended December 31, 2023:

**June 30, 2024**

| | Terminal and Airside Assets | Baggage Handling Systems | Improvements to Leased Land | Runways and Taxiways | Airport Operating Assets | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| Balance, beginning of year | **7,221,465** | **463,732** | **9,480** | **562,919** | **735,634** | **334,276** | **9,327,506** |
| Additions, net of government grants | **29** | **—** | **—** | **—** | **—** | **113,553** | **113,582** |
| Disposals | **(41)** | **—** | **—** | **—** | **(1,148)** | **—** | **(1,189)** |
| Transfers | **55,859** | **2,505** | **—** | **4,438** | **49,226** | **(112,028)** | **—** |
| Balance, end of period | **7,277,312** | **466,237** | **9,480** | **567,357** | **783,712** | **335,801** | **9,439,899** |
| **Accumulated amortization** | | | | | | | |
| Balance, beginning of year | **3,429,257** | **283,203** | **4,274** | **262,615** | **473,859** | **—** | **4,453,208** |
| Amortization expense | **95,488** | **11,828** | **79** | **16,822** | **27,350** | **—** | **151,567** |
| Disposals | **—** | **—** | **—** | **—** | **(1,148)** | **—** | **(1,148)** |
| Balance, end of period | **3,524,745** | **295,031** | **4,353** | **279,437** | **500,061** | **—** | **4,603,627** |
| **Net book value, end of period** | **3,752,567** | **171,206** | **5,127** | **287,920** | **283,651** | **335,801** | **4,836,272** |

December 31, 2023

| | Terminal and Airside Assets | Baggage Handling Systems | Improvements to Leased Land | Runways and Taxiways | Airport Operating Assets | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Cost | | | | | | | |
| Balance, beginning of year | 7,133,810 | 460,259 | 9,480 | 664,945 | 765,994 | 264,667 | 9,299,155 |
| Additions, net of government grants | 77 | — | — | — | — | 237,117 | 237,194 |
| Disposals | (3,953) | (57) | — | (106,088) | (63,394) | — | (173,492) |
| Write-down | | — | — | — | — | (35,351) | (35,351) |
| Transfers | 91,531 | 3,530 | — | 4,062 | 33,034 | (132,157) | — |
| Balance, end of period | 7,221,465 | 463,732 | 9,480 | 562,919 | 735,634 | 334,276 | 9,327,506 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 3,237,578 | 265,954 | 4,116 | 318,023 | 487,098 | — | 4,312,769 |
| Amortization expense | 198,140 | 17,306 | 158 | 48,088 | 50,154 | — | 313,846 |
| Disposals | (3,869) | (57) | — | (106,088) | (63,393) | — | (173,407) |
| Transfers | (2,592) | — | — | 2,592 | — | — | — |
| Balance, end of year | 3,429,257 | 283,203 | 4,274 | 262,615 | 473,859 | — | 4,453,208 |
| Net book value, end of period | 3,792,208 | 180,529 | 5,206 | 300,304 | 261,775 | 334,276 | 4,874,298 |

As at June 30, 2024, \$335.8 million (December 31, 2023 – \$334.3 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is \$12.9 million (December 31, 2023 – \$12.1 million) of capitalized interest. During the six months ended June 30, 2024, borrowing costs for active projects were capitalized at the rate of 4.8 per cent, which represents the weighted-average cost of the GTAA's general borrowings (January 1 to June 30, 2023 – 4.8 per cent).

## 4. LONG-TERM DEBT, COMMERCIAL PAPER AND CREDIT FACILITIES

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 | June 30 2024 | December 31 2023 |
|---|---|---|---|---|---|
| Revenue Bonds | | | $ | **$** | $ |
| 1997–3 | 6.45% | December 3, 2027 | 321,500 | **321,744** | 321,614 |
| 1999–1 | 6.45% | July 30, 2029 | 176,067 | **180,386** | 180,324 |
| Medium-Term Notes | | | | | |
| 2000–1 | 7.05% | June 12, 2030 | 526,550 | **527,599** | 527,608 |
| 2001–1 | 7.10% | June 4, 2031 | 492,150 | **492,307** | 492,238 |
| 2002–3 | 6.98% | October 15, 2032 | 468,960 | **475,469** | 475,515 |
| 2004–1 | 6.47% | February 2, 2034 | 567,428 | **578,677** | 578,605 |
| 2010–1 | 5.63% | June 7, 2040 | 400,000 | **399,196** | 399,192 |
| 2011–1 | 5.30% | February 25, 2041 | 600,000 | **607,924** | 607,924 |
| 2011–2 | 4.53% | December 2, 2041 | 400,000 | **398,988** | 398,974 |
| 2018–1 | 3.26% | June 1, 2037 | 500,000 | **498,529** | 498,472 |
| 2019–1 | 2.73% | April 3, 2029 | 500,000 | **501,771** | 501,647 |
| 2019–2 | 2.75% | October 17, 2039 | 900,000 | **899,294** | 899,187 |
| 2020–1 | 1.54% | May 3, 2028 | 500,000 | **499,644** | 499,460 |
| 2021–1 | 3.15% | October 5, 2051 | 400,000 | **400,062** | 399,988 |
| | | | | **6,781,590** | 6,780,748 |
| Commercial paper outstanding | | | | **287,082** | 202,529 |
| | | | | **7,068,672** | 6,983,277 |
| Less: Current portion (including accrued interest) | | | | **(372,007)** | (288,532) |
| | | | | **6,696,665** | 6,694,745 |

As at June 30, 2024, accrued interest included in the current portion of the long-term debt was $60.0 million (December 31, 2023 – $61.0 million).

Interest and financing costs, net, consisted of the following:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Interest income | **18,808** | 8,606 | **35,765** | 14,545 |
| Interest expense on debt instruments | **(84,322)** | (81,278) | **(167,945)** | (161,353) |
| Capitalized interest | **1,914** | 1,780 | **4,938** | 3,164 |
| Amortization of terminated hedges and interest rate swap | **(271)** | (271) | **(543)** | (543) |
| Other financing fees | **(821)** | (771) | **(1,726)** | (1,635) |
| Deferred ground rent interest accretion | **(769)** | (779) | **(1,539)** | (1,558) |
| | **(84,269)** | (81,319) | **(166,815)** | (161,925) |
| **Interest and financing costs, net** | **(65,461)** | (72,713) | **(131,050)** | (147,380) |

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 condensed interim consolidated statements of financial position. The fair values are within Level 2 of the fair value hierarchy.

| | **June 30, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Book Value** | **Fair Value** | Book Value | Fair Value |
| | **$** | **$** | $ | $ |
| Long-term debt | **6,781,590** | **6,674,161** | 6,780,748 | 6,907,874 |

All notes are redeemable in whole or in part at the option of the GTAA at any time at a redemption price that is the greater of (i) the face value amount plus accrued and unpaid interest and (ii) the discounted present value of future payments based on yields over Government of Canada bonds with similar terms to maturity.

### Credit Facilities

The $1,400.0 million Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses as required, provide a credit backstop to 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 June 30, 2024, $287.1 million CP was outstanding (December 31, 2023 – $202.5 million), no amounts were drawn from the Operating Credit Facility (December 31, 2023 – $nil), $137.3 million of the $160.0 million Letter of Credit Facility was utilized (December 31, 2023 – $113.1 million), and there were no outstanding contracts under the $150.0 million hedge facility.

As at June 30, 2024, the GTAA had an aggregate of $2,089.0 million in total available liquidity comprised of $1,112.9 million borrowing capacity available under its Operating Credit Facility, $22.7 million available under its Letter of Credit Facility, $543.4 million of unrestricted cash and cash equivalents, and $410.0 million of short-term investments.

Indebtedness under the credit facility bears interest at rates that vary with the lenders' prime rate, Bankers' Acceptance rates and LIBOR, as appropriate.

## 5. COMMITMENTS

### Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding as at June 30, 2024, of approximately $183.4 million (December 31, 2023 - $205.1 million).

## 6. FINANCIAL INSTRUMENTS

### Fair Value Hierarchy

Fair value measurements recognized in the condensed interim 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 condensed interim consolidated statements of financial position are represented by cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, security deposits, long-term debt, advanced payments, 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 4, 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 period.