Greater Toronto Airports Authority

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

March 31, 2022

GTAA

Toronto Pearson

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

March 31, 2022

GTAA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2022

Dated May 10, 2022

FORWARD-LOOKING INFORMATION

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

This report discusses the financial and operating results of the Greater Toronto Airports Authority (the "GTAA" or "Company") for the quarter ended March 31, 2022 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, 2021 and 2020, and the Annual Information Form for the year ended December 31, 2021. These documents provide additional information on certain matters that may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and the Consolidated Financial Statements referred to above, is available on SEDAR at www.sedar.com. The GTAA's Consolidated Financial Statements and MD&A are also available on its website at www.torontopearson.com.

CORPORATE PROFILE

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

SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

	Three months ended March 31			
	2022	2021	Change [1]	
($ millions)				%
Total Revenues	**282.7**	152.1	130.6	85.8
Total operating expenses (excluding amortization)	**161.7**	117.7	44.0	37.4
EBITDA [2, 3]	**121.0**	34.4	86.6	251.7
EBITDA Margin [2, 3]	**42.8 %**	22.6 %		20.2 pp
Earnings (Loss) Before Interest, Net [4]	**38.2**	(45.3)	83.5	184.3
Net Loss	**(44.6)**	(127.0)	82.4	64.9
See "Results of Operations" for details				
See Net Operating Results for reconciliation from net loss to EBITDA				
Free Cash Flow [5] *($ millions)*	**33.5**	(37.6)	71.1	
See "Liquidity and Capital Resources" section for details				
Passenger Activity *(millions)*				
Domestic	**2.0**	0.6	1.4	252.4
International	**3.2**	0.5	2.7	540.5
Total	**5.2**	1.1	4.1	384.5
Flight Activity				
Aircraft movements *(thousands)*	**63.2**	22.6	40.6	177.9
MTOW [6] *(million tonnes)*	**5.8**	2.7	3.1	116.7
Seats *(millions)*	**8.0**	2.6	5.4	203.5
Load factor	**64.7 %**	40.5 %		24.2 pp
See "Operating Activity" section for details				

	At March 31			
	2022	2021	Change [1]	
				%
Total Debt ***($ millions)***	**7,249.8**	7,120.3	129.5	1.8
Net Debt [7]	**6,535.4**	6,552.0	(16.6)	(0.3)
Key Credit Metrics *($)*				
Total Debt / Enplaned Passenger [8]	**862**	2,984	(2,122)	(71.1)
Net Debt [7] / Enplaned Passenger [8]	**777**	2,746	(1,969)	(71.7)
See "Liquidity and Capital Resources" section for details				

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

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

3 Refer to "Results of Operations - Net Operating Results" section for EBITDA and EBITDA margin narrative details.

4 Earnings (Loss) before interest, net is (loss) earnings before interest and financing costs, net. Refer to "Results of Operations - Net Operating Results" section for narrative details.

5 Free cash flow, a non-GAAP financial measure, is cash generated from operations, less cash interest, financing costs and capital expenditures. Refer to section "Non-GAAP Financial Measures". See "Liquidity and Capital Resources" section for narrative details and the free cash flow calculation.

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

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

8 Enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.

OVERVIEW

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

COVID-19 Pandemic (also "pandemic")

The first quarter of 2022 continued to be impacted with intermittent global lockdowns, travel restrictions, a government advisory telling Canadians not to travel unless essential, and government-imposed health requirements. Later in the quarter there was an easing of travel restrictions, however, the COVID-19 pandemic continues to have a material negative impact on demand for air travel in Canada and to a lesser degree globally. Due to the pandemic and the resultant travel restrictions, there were multiple flight and route cancellations by air carriers. Since the second half of 2021, however, operating activity at the Airport has grown significantly from the same prior periods, due in part to a domestic vaccination rollout, the easing of government travel restrictions and pent-up travel demand. Nevertheless, all measures of operating activity continue to be well below the 2019 levels (pre-COVID-19 pandemic).

During the first quarter of 2022:

- Toronto Pearson processed 5.2 million passengers, an increase of 4.1 million or 384.5 per cent more passengers than it did in the same period of 2021 due to the domestic vaccination rollout, easing of travel restrictions and pent-up travel demand during the first quarter of 2022;
- Passenger volumes at Toronto Pearson significantly increased to an average of 57,400 per day from an average of 12,000 per day in the first quarter of 2021;
- The average number of flights increased to 700 per day as compared to 251 per day in the first quarter of 2021; and
- The number of passenger and flight activity remains significantly lower than historic measures, particularly when compared to the same period in 2019, when passenger volumes averaged 129,400 per day and number of flights averaged 1,190 per day.

As at March 31, 2022, airlines operating at Toronto Pearson increased to 54 from 46 as at March 31, 2021.

The reduced activity has had a material and negative impact on the GTAA's business and results of operations compared to 2019 levels, including lower aeronautical and commercial revenues and Airport Improvement Fees ("AIF"). However, passenger and flight activity have been increasing since the third quarter of 2021. During the first quarter of 2022, the GTAA:

- Earned revenues of $282.7 million, an increase of 85.8 per cent or $130.6 million, compared to the same period of 2021;
- Incurred a net loss of $44.6 million for the period, lower by 64.9 per cent or $82.4 million, compared to the net loss of $127.0 million in the same period of 2021; and
- Generated free cash flow of $33.5 million, an increase of $71.1 million, compared to the same period of 2021.

During the first quarter of 2022, the GTAA, both solely and in cooperation with government, partners and employees, has taken the following actions in response to the pandemic:

a. *Financial Response*

- The GTAA continues to prudently manage its operating expenditures and its capital spend compared to pre-pandemic levels. Refer to the "Capital Projects" section.

- Effective January 1, 2022, the following increases to aeronautical rates were implemented:
    - Aeronautical rates for commercial aviation increased by 3 per cent; and
    - Aeronautical rates for all business and general aviation aircraft, regardless of weight, increased to $850 per arrival movement.

b. Passenger and Safety Response

- Toronto Pearson's "Healthy Airport" official mark is a commitment with partners, government agencies and stakeholders designed to set strong, consistent, reliable standards for passenger and airport worker health protection. The Healthy Airport commitment is a comprehensive program introduced in 2020 that outlines the steps that the Airport and its partners have implemented to help restore confidence in the safety of air travel given the new realities.

- The Government of Canada requires vaccination for employees across the federal public service. In addition, the Government of Canada requires employees in the federally regulated air, rail, and marine transportation sectors to be vaccinated. This vaccination requirement also extends to all travellers, with very few exemptions. This includes all commercial air travellers, passengers on interprovincial trains, and passengers on large marine vessels with overnight accommodations, such as cruise ships. Consistent with the federal government's mandate, the GTAA has its own mandatory vaccine policy that requires all GTAA employees to be fully vaccinated, with accommodation being provided for grounds covered by the *Canadian Human Rights Act*. The GTAA also requires employers, persons, businesses and organizations with operations in the terminal or standalone facilities on the Airport property to acknowledge to the GTAA that they have their own policy for mandatory vaccination, with accommodation as required by law.

- The GTAA understands that the entire passenger experience extends beyond the Airport. This means that the passenger views the safety of travel in every step: from their home, to and through the terminal, the airplane environment, destination surface travel and accommodation, followed by the return trip. Any concern in any component could diminish the traveller's confidence in the safety of their journey. Accordingly, the GTAA believes that it is imperative that each participant in the home-to-home journey deliver service flawlessly on a consistent basis to maintain confidence in the health and safety of air travel. To reinforce Toronto Pearson's Healthy Airport commitment and the measures taken by the GTAA to deliver an integrated traveller experience and build confidence in travel, in collaboration with industry partners, the GTAA continues to advocate for more efficient border processing to enhance the travel experience. The GTAA is also working with its airline partners to connect passengers safely across Canada and around the globe.

c. Testing, Research and Data Collection

- Since the beginning of the pandemic, both the provincial and federal governments have implemented various measures to address COVID-19 in the context of achieving safe air travel. The GTAA has cooperated with the governments to help protect the safety of all passengers and workers. In light of evolving travel restrictions, the GTAA continues to adapt its operations to provide passengers a safe and efficient travel experience.

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

    - In early 2022, the Canadian federal government still required all travellers coming to Canada by air to provide proof of a negative COVID-19 polymerase chain reaction ("PCR") test or other molecular COVID-19 test taken within 72-hours of departure. This requirement was amended by the Canadian government on February 15, 2022, with the effective date of February 28, 2022, to include the option to show proof of a negative antigen test result taken 24 hours before travel. On March 17, 2022, the federal government announced that fully vaccinated international travellers will no longer need to provide a pre-entry COVID-19 test result to enter Canada effective April 1, 2022.

Arrival - Mandatory COVID-19 Testing by Federal Government

- During the first quarter of 2022, the Canadian federal government still required the Airport to test 10,000 passengers per day from international fully vaccinated arrivals, 100 per cent of unvaccinated international arrivals and mandatory random testing continued to apply to travellers coming directly from the US. Take-home test kits were used to achieve the 10,000 per day threshold without excessive disruption to passenger flow on arrival. On March 17, 2022, the federal government announced that mandatory arrivals testing for fully vaccinated international travellers would move to a randomized surveillance testing program effective April 1, 2022. Random testing and testing of unvaccinated travellers has resulted in a change to approximately 3,000 tests per day.

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

- The GTAA, in collaboration with Switch Health, offers COVID-19 testing services to departing Toronto Pearson passengers, as well as community members and Airport employees looking for convenient access to tests. Switch Health offers both PCR and antigen tests at competitive prices. These tests are intended to provide another protective layer in the GTAA's Healthy Airport program. Testing is offered in both a traditional clinic setting as well as a drive-through by appointment, operated at Toronto Pearson's Value Park Garage, with a second location that opened at the UP Express platform on March 11, 2022. Both Switch Health and the GTAA are working together to continually adapt to meet and exceed the demands of a rapidly evolving pandemic environment and exploring new innovations to meet the needs of the Airport's passengers, employees and the community.

d. *Government Financial Support:*

- The GTAA and the Canadian Airports Council continue to highlight with governments at all levels the GTAA's Healthy Airport commitment and the steps the organization has taken to protect public health and the health and well-being of its workforce and travellers.

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

- Additionally, the GTAA is engaging with government to discuss other potential financial support given Management's belief in the essential economic role that Toronto Pearson plays in Canada's economy, supply chain, trade and employment and in vaccine delivery and logistics.

e. *Management's Financial Assessment:*

- As a result of COVID-19 and changing travel restrictions in place in Canada and around the world, there is very limited accurate visibility on the future of travel demand, which is severely inhibited. The GTAA cannot accurately predict the timing of a full recovery. Management continues to analyze the extent of the financial impact of the COVID-19 pandemic, which while it is diminishing, continues to be adverse and material. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, in the long-term the GTAA believes that recovery will be achieved, and the pandemic will not have a material impact on the long-term financial sustainability of the Airport.

- The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. Though the GTAA has experienced a loss during the first quarter of 2022 due to lower passenger volume compared to 2019 levels, given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due, including the bond maturity in September 2022.

- The pandemic, inflation and volatile geopolitical matters may yet impact the GTAA's cost of capital, access to capital markets , credit ratings, labour supply, supply chains, and energy costs.

Given the impact of the COVID-19 pandemic, there continues to be uncertainty associated with the GTAA's business. Refer to "Risk Factors" of the Corporation's most recent Annual Information Form for risk disclosure regarding the impact of the pandemic on the GTAA's business. In light of the dynamic operating environment, Management will continue to support the safety of passengers and Airport workers, and the financial sustainability of the organization.

OPERATING ACTIVITY

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

Passenger Activity

Passenger traffic at the Airport significantly increased by 4.1 million or 384.5 per cent from 1.1 million passengers in the first quarter of 2021 to 5.2 million passengers in the first quarter of 2022.

Total passenger traffic at the Airport is categorized into one of two sectors: domestic (passengers travelling within Canada) and international (passengers travelling to and from destinations outside Canada). During the first quarter of 2022, the largest growth was in the international sector with an increase of 2.7 million or 540.5 per cent, whereas the domestic sector recorded an increase in passenger traffic of 1.4 million or 252.4 per cent, when compared to the first quarter of 2021. Passenger activity increased given a domestic vaccine rollout, fewer travel restrictions and pent-up travel demand compared to the same period of 2021.

The following table summarizes passenger activity by sector for the three-month periods ended March 31, 2022 and 2021:

	Three months ended March 31			
Passenger Activity [2]	**2022**	2021	Change [1]	
(in millions)				%
Domestic	**2.0**	0.6	1.4	252.4
International	**3.2**	0.5	2.7	540.5
Total	**5.2**	1.1	4.1	384.5
(in millions)				
Origin and destination	**3.7**	0.8	2.9	388.5
Connecting	**1.5**	0.3	1.2	374.7
Total	**5.2**	1.1	4.1	384.5
Origin and destination [1]	**71.9 %**	70.9 %		1.0 pp
Connecting [1]	**28.1 %**	29.1 %		(1.0)pp
Total	**100.0 %**	100.0 %		

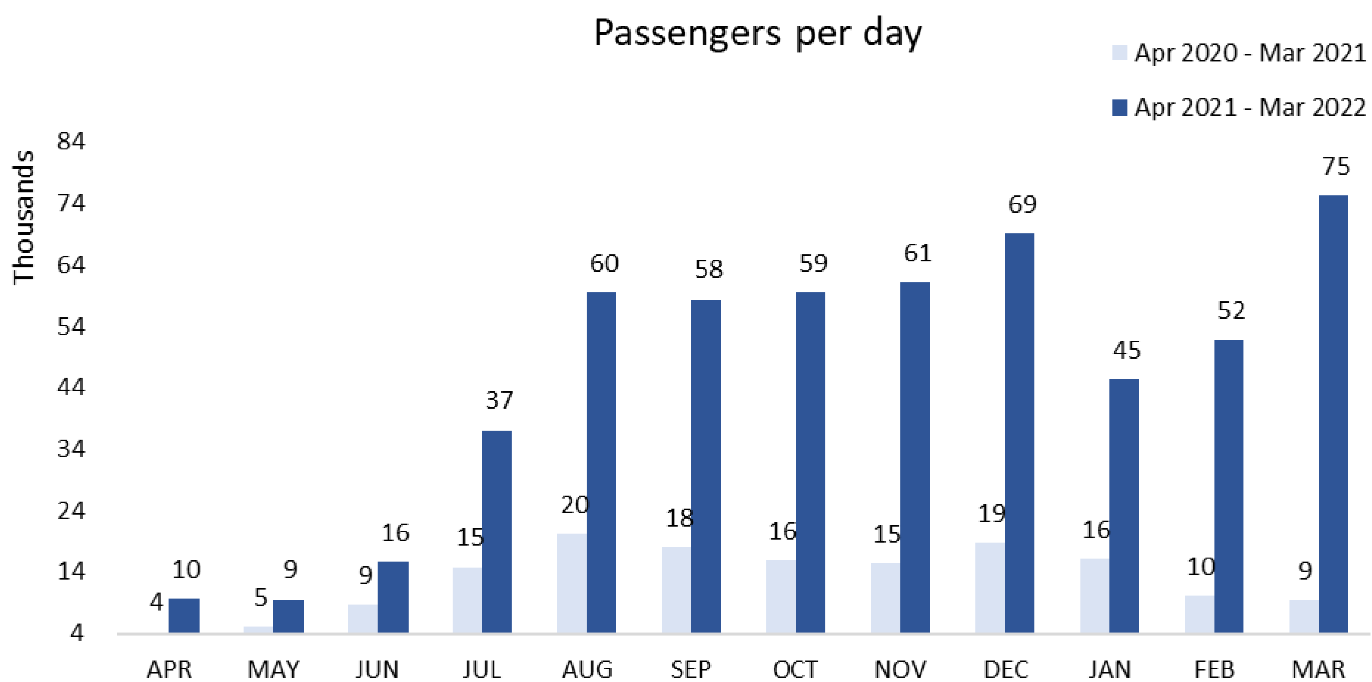
1 "% Change" and "%" are based on detailed actual numbers (not rounded as presented). "pp" are percentage points
2 Based on Airline reporting, passenger estimates may vary from actual numbers.

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

During the first quarter of 2022, the number of origin and destination passengers increased 2.9 million or 388.5 per cent to 3.7 million passengers while the number of connecting passengers increased 1.2 million or 374.7 per cent to 1.5 million passengers, when compared to the same period of 2021. During the first quarter of 2022, the percentages of origin and destination passengers and connecting passengers were 71.9 per cent and 28.1 per cent compared to 70.9 per cent and 29.1 per cent in the same period of 2021, respectively.

During the first quarter of 2022, Toronto Pearson's passenger activity has been directly and materially impacted by the COVID-19 pandemic. Passenger volumes at Toronto Pearson significantly increased to an average of 57,400 per day from an average of 12,000 per day in the first quarter of 2021. The average number of flights increased to 700 per day as compared to 251 per day in the first quarter of 2021. As at March 31, 2022, airlines operating at Toronto Pearson increased to 54 from 46 as at March 31, 2021.

The following table outlines the average daily number of passengers per month that travelled through Toronto Pearson daily from April 2021 to March 2022, as compared to April 2020 to March 2021.



During the first quarter of 2022, the COVID-19 pandemic continues to impact passenger and flight volumes negatively but has improved from 2021. While some of the following travel and advisory restrictions still remain, others have been lifted. Factors and restrictions that negatively impacted travel were, at various times:

- official global travel advisory published by the Government of Canada to "avoid all non-essential travel outside Canada until further notice" over the December 2021 and January 2022 holiday travel period having an impact on passengers' decisions to travel;
- evolving rules in place by other countries that may restrict travel or impose additional testing and health requirements from Canada;
- rules in place by the Canadian government that restricts travel to Canada;
- the general confusion and uncertainty of these rules;
- air carrier route changes and cancellations;
- air carrier ad hoc changes in flight schedules;

- continued border restrictions on travel by foreign nationals;
- COVID-19 variants of concern, some of which are believed to be more contagious;
- the requirement of a pre-departure negative COVID-19 PCR test result, or effective February 28, 2022 an antigen test result for all international travellers to Canada (except fully vaccinated travellers effective April 1, 2022), and the requirement of an antigen test result to the US (including from Canada). This introduced the risk of being stranded abroad or being denied boarding in Canada;
- the federal government's requirement to test at the Airport 10,000 per day of international fully vaccinated arrivals, 100 per cent of unvaccinated international arrivals and the mandatory random testing of travellers coming directly from the US. This was reduced to approximately 3,000 tests per day effective April 1, 2022 following the easing of restrictions; and
- the mandatory vaccination requirement by the federal government for all departing travellers and inbound foreign nationals.

Flight Activity

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

The following table summarizes aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor for the three-month periods ended March 31, 2022 and 2021.

	Three months ended March 31			
Flight Activity [1]	**2022**	2021	Change [2]	%
(in thousands)				
Aircraft movements [3]	**63.2**	22.6	40.6	177.9
Passenger aircraft movements	**53.2**	16.9	36.3	215.3
(in millions)				
MTOW (tonnes)	**5.8**	2.7	3.1	116.7
Seats	**8.0**	2.6	5.4	203.5
Seats per passenger aircraft movement	**150.9**	156.8	(5.9)	(3.7)
Load factor	**64.7 %**	40.5 %		24.2 pp

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

Aircraft movements, which include both passenger and non-passenger movements (i.e. cargo), increased 177.9 per cent in the first quarter of 2022 as compared to the same period of 2021. Passenger aircraft movements grew 215.3 per cent in the first quarter of 2022 as compared to the same period of 2021.

During the first quarter of 2022, MTOW was 5.8 million tonnes, an increase of 116.7 per cent as compared to the same period of 2021.

Seats increased during the first quarter of 2022 by 203.5 per cent to 8.0 million as compared to 2.6 million seats in the same period in 2021. The number of seats per passenger aircraft movement during the first quarter of 2022 was 150.9, a decrease of 5.9 seats or 3.7 per cent when compared to 156.8 seats per passenger aircraft movement from the same period in 2021 due to a return toward lower average pre-COVID aircraft sizes. Load factor increased 24.2 percentage points from 40.5 per cent in the first quarter of 2021 to 64.7 per cent in the same period of 2022.

As a result of the pandemic and its impact, there was an enhanced focus on cargo flights to maintain the supply chain. Toronto Pearson continues to work to ensure safe operations and to support the national economy through cargo operations. Additionally, passenger airlines have converted some of their aircraft for cargo-only purposes to move cargo across Canada and around the world. Toronto Pearson has been working with all carriers to keep the flow of goods moving in support of the Canadian economy, including critical goods such as vaccines needed to fight COVID-19.

RESULTS OF OPERATIONS

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

Aeronautical Fees and Charges and AIF

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

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

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

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

Revenues

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

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

The following table summarizes the GTAA's consolidated revenues for the three-month periods ended March 31, 2022 and 2021.

	Three months ended March 31			
Revenues	**2022**	2021	Change [1]	
($ millions)			$	%
Landing fees	**75.9**	51.7	24.2	46.9
General terminal charges	**39.4**	25.8	13.6	52.5
Aeronautical Revenues	**115.3**	77.5	37.8	48.7
Concessions and rentals	**61.0**	45.8	15.2	33.3
Car parking and ground transportation	**27.9**	11.3	16.6	146.8
Other	**19.3**	7.4	11.9	160.8
Commercial Revenues	**108.2**	64.5	43.7	67.8
Airport Improvement Fees	**59.2**	10.1	49.1	485.5
Total Revenues	**282.7**	152.1	130.6	85.8

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

Aeronautical revenues increased 48.7 per cent to $115.3 million during the three-month period ended March 31, 2022, when compared to the same period in 2021, due to growth from the significant flight activity over the same period of 2021. Cargo revenues, which are included in aeronautical revenues, increased $6.6 million or 46.1 per cent to $20.8 million during the three-month period ended March 31, 2022, when compared to the same period in 2021.

Consolidated concession and rental revenues increased by 33.3 per cent to $61.0 million during the three-months ended March 31, 2022 when compared to the same period of 2021. This increase was mainly due the significant operating activity growth in the first quarter of 2022 over the same period of 2021. During the first quarter of 2022, the GTAA's concession revenues, which includes retail tenants, advertising and sponsorship partners revenues at the Airport, increased 35.9 per cent to $24.9 million from $18.4 million in 2021. Rental revenues increased 31.5 per cent to $36.1 million in the first quarter of 2022 from $27.4 million in the same period of 2021. Excluding ACI revenues, rental revenues increased by 36.5 per cent to $26.5 million during the first quarter of 2022 when compared to the same period in 2021.

During the 12-month period prior to the end of March 31, 2022, retail store sales per enplaned passenger at Toronto Pearson were $25.93 versus $23.28 in the same period of 2021, a $2.65 or 11.4 per cent increase. Retail store sales are the gross sales generated by the GTAA's retail tenants. These tenants, under their leasehold agreements with the GTAA, pay either a Minimum Annual Guarantee ("MAG") or a percentage of gross sales to the GTAA as rent. Retail stores include retail, restaurant and beverage establishments.

During the three-month period ended March 31, 2022, food and beverage business performance has doubled and retail operations (excluding food and beverage) increased by approximately 14 per cent, as compared to the same period of 2021. With the increase in passenger activity and the easing of COVID-19 restrictions, 96 per cent of retail, food and beverage units were open during the first quarter of 2022 compared to 60 per cent during the same period of 2021, which in turn have increased revenues.

Car parking and ground transportation revenues increased 146.8 per cent to $27.9 million during the first quarter of 2022 when compared to the same period of 2021. The increase was mainly due the increased operating activity growth in the first quarter of 2022 and an average increase of 5 per cent in daily parking rates. Parking volumes, from those available to the general public, have increased approximately 381 per cent while revenues increased 246 per cent during the first quarter of 2022 compared to the same period of 2021 in line with the increase in passenger volumes. As a result, the Value Park Garage, Valet, Terminal 3 rooftop and Viscount Station Reserve reopened during the first quarter of 2022, whereas the surface lot parking (i.e. uncovered parking which requires snow clearing), including the remaining rooftops, reopened April 15, 2022.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 160.8 per cent to $19.3 million during the first quarter of 2022, when compared to the same period of 2021.

The significant increase in other revenues were primarily from the Deicing operations. Deicing revenues increased 179.2 per cent or $9.2 million during the first quarter of 2022 to $14.3 million compared to the same period of 2021 due to increased volumes, offset by higher operating costs associated with the increased activity that are passed through to the customer. The deicing revenues are based on a cost-recovery model.

AIF revenue increased 485.5 per cent to $59.2 million during the three-month period ended March 31, 2022 compared to the same period in 2021. The increase was due to the increased passenger activity, and the higher proportion of origin and destination passengers versus connecting, compared to the same period in 2021.

Expenses

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

The following table summarizes GTAA's consolidated expenses for the three-month periods ended March 31, 2022 and 2021.

	Three months ended March 31			
Expenses	**2022**	2021	Change [1]	
($ millions)			$	%
Ground rent	**30.9**	11.7	19.2	164.7
PILT [2]	**3.0**	10.6	(7.6)	(71.2)
Total ground rent and PILT	**33.9**	22.3	11.6	52.5
Goods and services	**81.7**	61.9	19.8	31.9
Salaries, wages and benefits	**46.1**	33.5	12.6	37.5
Total Operating Expenses before Amortization	**161.7**	117.7	44.0	37.4
Amortization of property and equipment, investment property and intangible assets	**82.8**	79.7	3.1	3.8
Total Operating Expenses	**244.5**	197.4	47.1	23.8
Interest expense on debt instruments and other financing costs, net of interest income	**82.8**	81.7	1.1	1.4
Total Expenses	**327.3**	279.1	48.2	17.3

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.

Ground rent payments to the federal government are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at progressively increasing rates with a rate of 12 per cent of Airport Revenues in excess of $250 million. Ground rent expense increased by 164.7 per cent to $30.9 million during the three-month period ended March 31, 2022, when compared to the same period of 2021 due to the increase in revenues and the deferred ground rent in 2021, which represents the present value of future lease payments to take into account the time value of money.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation under the *Assessment Act.* The annual PILT is based on actual passenger volumes from two years prior and further to an amendment to the regulation, the maximum annual increase of 5.0 per cent under the regulation is temporarily suspended beginning in 2022 until Toronto Pearson's passenger volumes return to 2019 levels. The PILT expenditure decreased 71.2 per cent to $3.0 million during the three-month period ended March 31, 2022, when compared to the same period in 2021 as it was based on 2020 passenger levels. ACI pays municipal real property taxes in the ordinary course of business as the investment properties acquired by ACI are not used directly for Airport operations.

Expenditures for goods and services increased 31.9 per cent or $19.8 million to $81.7 million during the three-month period ended March 31, 2022, when compared to the same period of 2021. The increased costs were due to the higher snow removal costs as a result of harsher winter weather conditions in the first quarter of 2022, higher energy costs, cleaning and repairs and maintenance costs.

Salaries, wages and benefits increased 37.5 per cent or $12.6 million to $46.1 million during the three-month period ended March 31, 2022, when compared to the same period of 2021. The increase was primarily due to the federal government's wage subsidy through the CEWS program in the first quarter of 2021 of $11.6 million, whereas there was no subsidy in the same period of 2022.

Amortization of property and equipment, investment property and intangible assets increased 3.8 per cent to $82.8 million during the three-month period ended March 31, 2022, when compared to the same period of 2021. This increase was mainly due to the acceleration of amortization of certain assets.

Interest expense and other financing costs, net of interest income, increased by 1.4 per cent to $82.8 million during the three-month period ended March 31, 2022, when compared to the same period in 2021. The increase was due to the incremental debt incurred in the fourth quarter of 2021 resulting from the issuance of Series 2021-1 MTNs partially offset by the remaining 2020 MTI amendment fees in the first quarter of 2021, all due to the impact from the COVID-19 pandemic.

Net Operating Results

The following table summarizes the GTAA’s consolidated net operating results for the three-month periods ended March 31, 2022 and 2021.

	Three months ended March 31			
Net Operating Results	**2022**	2021	Change [1]	
($ millions)			$	%
Net Loss	**(44.6)**	(127.0)	82.4	64.9
Add: Interest and financing costs, net	**82.8**	81.7	1.1	1.4
Earnings (Loss) Before Interest, net	**38.2**	(45.3)	83.5	184.3
Add: Amortization [2]	**82.8**	79.7	3.1	3.8
EBITDA [3]	**121.0**	34.4	86.6	251.7
EBITDA Margin	**42.8 %**	22.6 %		20.2 pp

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

During the first quarter of 2022, the GTAA incurred a net loss of $44.6 million, an improvement in operating results of $82.4 million when compared to the net loss of $127.0 million in the same period of 2021. The improvement in operating results was mainly due to significantly higher revenues from the higher operating activity while managing operating costs prudently.

Earnings before interest and financing costs and amortization (“EBITDA”) increased 251.7 per cent to $121.0 million during the first quarter of 2022, when compared to the same period of 2021. The EBITDA margin increased by 20.2 percentage points to 42.8 per cent during the first quarter of 2022, when compared to the same period of 2021. The increase in EBITDA and EBITDA margins were mainly due to the significantly higher increase in revenues, from the higher operating activity, over the increase in operating costs. EBITDA is a non-GAAP financial measure. Refer to section “Non-GAAP Financial Measures” of this MD&A for additional information.

Summary of Quarterly Results

Select unaudited consolidated quarterly financial information for the eight quarters ended June 30, 2020 through March 31, 2022, is set out in the following table.

	Quarter Ended							
	2022	2021				2020		
($ millions) [1]	**Mar**	Dec	Sep	Jun	Mar	Dec	Sep	Jun
Revenues	**283**	275	246	154	152	151	148	186
Operating expenses (excluding amortization) [2]	**162**	157	125	109	117	102	138	121
Amortization [2]	**83**	81	90	82	80	89	100	84
Earnings (Loss) before interest and financing costs, net	**38**	37	31	(37)	(45)	(40)	(90)	(19)
Interest and financing costs, net	**83**	84	89	81	82	77	87	77
Net Loss	**(45)**	(47)	(58)	(118)	(127)	(117)	(177)	(96)

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

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

The GTAA's quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors and given the material impact of the COVID-19 pandemic on the GTAA's business and results of operations, the historical quarterly results cannot be relied upon to determine future trends. In respect of the first quarter of 2022 and the third and fourth quarters of 2021, the impact of the pandemic was less severe and showed signs of improvement when compared to the same periods in 2021 and 2020, respectively.

CAPITAL PROJECTS

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

During the first quarter of 2022, the GTAA funded capital investments primarily through proceeds from cash flows from operations. The GTAA may access the capital markets as required to fund future capital spend.

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

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

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

Airside Pavement Restoration Program – The 2020–2024 Airside Pavement Restoration Program will restore an estimated 1.5 million square metres of airside surfaces. The program is based on current pavement condition surveys and predictive modelling. During the first quarter of 2022, reconstruction of runway 06L24R and the associated taxiways commenced as part of the Airside Pavement Restoration Program. From the inception of the Airside Pavement Restoration Program to March 31, 2022, the GTAA has expended $56.1 million. During the first quarter of 2022, the GTAA expended $0.8 million as part of restoration construction work.

Baggage-Handling Improvements – The Baggage-Handling Improvements program is being undertaken in Terminal 1 and Terminal 3 to add baggage-handling capacity, to improve system reliability and dependability, and to meet current as well as future anticipated baggage processing requirements. The current project commenced in the fourth quarter of 2018. The program includes several design-build work packages that are intended to enhance the way the Airport operates and to enhance the passenger experience. In response to the pandemic, three of the four projects within the first phase are planned to continue as scheduled given the advanced stage of construction. The final project within the first phase will have its scope reduced and full completion deferred to a future date. From the inception of the Baggage-Handling Improvements to March 31, 2022, the GTAA has expended $196.7 million. During the first quarter of 2022, the GTAA expended $0.1 million.

Biosecurity-enabled Check-In and Boarding Processing – The check-in and boarding systems at Toronto Pearson constitute an integral part of the passenger journey and involve multiple touchpoints. These existing systems have reached the end-of-support-life stage and should be replaced. Additionally, current systems do not support new and critical touchless processes and safe travel solutions for all passengers, and as a result, the GTAA is seeking to procure and implement a next-generation check-in solution as a replacement. From the inception of the Biosecurity-enabled Check-In and Boarding Processing project to March 31, 2022, the GTAA has expended $1.8 million. During the first quarter of 2022, the GTAA expended $0.4 million.

Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance – In the fall of 2019, the GTAA and CBSA undertook an innovative and comprehensive passenger-centric project called “Reimagining Arrivals” to review and prototype different approaches and technology for the CBSA border clearance processes. At that time, both organizations agreed on the critical need for a path forward to transform the arriving and connecting CBSA border clearance process in the air environment. The process will be modernized through technology while at the same time meeting the new needs of a Healthy Airport by delivering “no-touch”/reduced touch processing and maximizing passenger flow. From the inception of the Border Modernization project to March 31, 2022, the GTAA has expended $4.7 million. During the first quarter of 2022, the GTAA expended $0.6 million.

Terminal 3 Temporary Arrivals & Transfer Facility (“T-SPIL”) – The T-SPIL project will allow passengers for international/ transborder to domestic (“ITD”) connections. Once the T-SPIL facility is complete, it will lower minimum connection time for ITD passengers. From the inception in 2021 of the T-SPIL project to March 31, 2022, the GTAA has expended $2.4 million. During the first quarter of 2022, the GTAA expended $0.3 million.

ASSETS AND LIABILITIES

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

($ millions)	**March 31, 2022**	December 31, 2021	Change 2022 – 2021
Total assets	**6,585.7**	6,615.8	(30.1)
Total liabilities	**7,571.3**	7,562.4	8.9
Deficit and accumulated other comprehensive loss	**(985.6)**	(946.6)	(39.0)

At March 31, 2022, when compared to December 31, 2021, the GTAA’s total assets decreased by $30.1 million primarily due to decreases of $62.4 million in property and equipment (net book value) and $15.0 million in cash partially offset by an increase of $48.5 million in restricted funds. The GTAA’s total liabilities increased by $8.9 million primarily due to timing of accrued interest. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of $985.6 million at March 31, 2022, as reported on the condensed consolidated statements of financial position, has increased due to the impacts of the COVID-19 pandemic on passenger and flight activities and the results from operations.

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:

	Three months ended March 31		
($ millions)	**2022**	2021	Change
Cash flows from operating activities	**117.5**	64.7	52.8
Capital expenditures [1] - property and equipment	**(35.0)**	(54.4)	19.4
Capital expenditures [1] - investment property	**(1.7)**	—	(1.7)
Interest paid and other financing costs, net [2]	**(47.3)**	(47.9)	0.6
Free Cash Flow [3]	**33.5**	(37.6)	71.1
Increase in restricted funds	**(48.5)**	(37.3)	(11.2)
(Repayments) Borrowings, net	**—**	84.9	(84.9)
Net Cash Inflow/(Outflow)	**(15.0)**	10.0	(25.0)

	At March 31		
	2022	2021	Change
Total Debt	**7,249.8**	7,120.3	129.5
Cash	**243.2**	113.2	130.0
Restricted funds	**471.2**	455.1	16.1
Net Debt [4]	**6,535.4**	6,552.0	(16.6)
Key Credit Metrics *($)*			
Total Debt/Enplaned Passenger [5]	**862**	2,984	(71.1) %
Net Debt [4]/Enplaned Passenger [5]	**777**	2,746	(71.7) %

(1) Capital expenditures — property and equipment are acquisition and construction of property and equipment and intangible assets; Capital expenditures — investment property are acquisitions and construction of investment property. Both are per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at March 31, 2022.

(2) Interest and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, therefore, it is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".

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

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

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

Cash flows from operations increased by $52.8 million to $117.5 million during the first quarter of 2022, when compared to the same period of 2021, primarily due to the significant increase in revenues over the increase in costs. The free cash flow increased by $71.1 million during the first quarter of 2022, when compared to the same period of 2021, primarily driven by the significant increase in cash flows from operations due to the reasons mentioned above and lower capital expenditures. Free cash flow is a non-GAAP financial measure. Refer to section “Non-GAAP Financial Measures” for additional information. Net cash flows decreased by $25.0 million to $15.0 million due to no borrowings, net of repayments, during the first quarter of 2022 when compared to the same period of 2021 offset by an increase in free cash flow.

Gross Debt increased by $129.5 million to $7.2 billion as at March 31, 2022 when compared to March 31, 2021 due to incremental borrowings, net of repayments, over the prior 12 months from the impact of the COVID-19 pandemic. Net Debt decreased by $16.6 million to $6.5 billion as at March 31, 2022 when compared to March 31, 2021 due to an increase in cash and restricted funds partially offset by an 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 airport industry's key financial metrics, declined from $2,984 as at March 31, 2021 to $862 as at March 31, 2022 due to significantly higher passenger volumes; and net debt per enplaned passenger declined from 2,746 as at March 31, 2021 to $777 as at March 31, 2022 due to the same reasons. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" for additional information.

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

The objective of the GTAA's investment and cash management strategy is to ensure adequate liquidity so that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit these impacts which include extending the commitments available under its revolving credit facility to 2024 to provide additional flexibility; and reducing and/or deferring operational and capital expenditures. The GTAA's net liquidity position (including cash) as at March 31, 2022 was approximately $1.7 billion. The GTAA has a current internal financial risk policy that includes a statement that the GTAA will always maintain a minimum available liquidity of at least $200.0 million. During the MTI covenant exemption period, the GTAA will, within five days of the end of each quarter, publish on the GTAA's website if such available liquidity at the end of a quarter is below $200.0 million. The GTAA monitors its cash flow requirements and conducts consistent analysis of trends and expected fluctuations in the Company's liquidity and capital resources. Though the GTAA has experienced a loss during the first quarter of 2022 due to lower passenger volume compared to 2019 levels, given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. Refer to the "Results of Operations (Revenues)" section for further details. Exposure to payment deferrals is mitigated in part by some security deposits in the form of cash and letters of credit, as well as active credit monitoring activities. There can be no assurance that deferred amounts will be collected in accordance with the terms of the deferral arrangements and there may be other events outside of the control of the GTAA that could also have a negative impact on its liquidity. Refer to the "Risk Factors" section of this MD&A.

The GTAA's long-term debt obligations as issued under its MTI have been assigned credit ratings by Standard & Poor's Rating Service ("S&P") and Moody's Investors Service, Inc. ("Moody's") of "A+" with a stable outlook and "Aa3" with a stable outlook, respectively. The GTAA's CP obligations have been assigned a credit rating of "R-1 (low)" and an issuer rating of "A (high)" by DBRS. Ratings are intended to provide investors with an independent view of the credit quality of the GTAA's debt. These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating. These ratings may change as the rating agencies continue to review the ongoing impact of the COVID-19 pandemic on the Company. Refer to the "Risk Factors" section of this MD&A. The GTAA's Annual Information Form for the year ended December 31, 2021 contains more detailed information about the GTAA's credit ratings.

As at March 31, 2022, the GTAA had borrowing capacity under its Operating Credit Facility available of $1.4 billion ($nil outstanding CP to backstop), available capacity under its Letter of Credit Facility of $59.9 million and unrestricted cash of $243.2 million, for an aggregate of $1.7 billion in total available liquidity. The unrestricted cash was invested in short-term highly liquid investment instruments in line with the GTAA's Investment Policy and the MTI.

Liquidity and Credit Facilities *($ millions)*					**March 31, 2022**	December 31, 2021
Source	**Currency**	**Expiry**	**Size**	**Drawn / CP Backstop**	**Available**	Available
Cash and cash equivalents	CAD				**243.2**	258.2
Credit facilities:						
1) Operating Credit Facility [1,2]	CAD	May 31, 2024	1,400.0	—	**1,400.0**	1,400.0
Commercial paper backstop [2]				—	**—**	
Available for general use					**1,400.0**	1,400.0
2) Letter of Credit Facility	CAD	May 31, 2022	150.0	90.1	**59.9**	67.7
			1,550.0	90.1	**1,459.9**	1,467.7
Total net liquidity (including cash)					**1,703.1**	1,725.9
3) Hedge Facility [3]	CAD	Per contract	150.0	—	**150.0**	150.0
Total credit facilities and cash			**1,700.0**	**90.1**	**1,853.1**	1,875.9

1 The Operating Credit Facility is a committed bank facility which is revolving in nature.
2 At March 31, 2022, $nil outstanding CP to backstop.
3 The hedge facility is a non-cash facility and allows the Corporation to enter into derivative transactions. Any amounts reported represent 'mark-to-market' losses on outstanding contracts.

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

The $1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility. As at March 31, 2022, no CP was outstanding, no amounts were drawn from the Operating Credit Facility, $90.1 million of the $150.0 million Letter of Credit Facility was utilized, and there were no outstanding contracts under the $150.0 million hedge facility.

As at March 31, 2022, the GTAA had a working capital deficiency of $250.0 million, computed by subtracting current liabilities from current assets. This was primarily due to the reallocation of $388 million of long-term debt to current liabilities from Series 2012-1 MTNs due September 22, 2022. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. Given the GTAA's total available liquidity of $1.7 billion, Management believes that the available credit under the Operating Credit Facility, its cash flows from operations, cash-on-hand and the GTAA's ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities as they come due.

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

Contractual Obligations *($ millions)*	**Total**	**Less than 1 year**	**Payments Due by Period** **1 year to 3 years**	**4 years to 5 years**	**Thereafter**
Accounts payable and accrued liabilities	176.1	176.1	—	—	—
Purchase obligations [1]	665.7	317.5	235.0	72.0	41.2
Long-term debt principal	7,186.1	410.0	48.4	54.8	6,672.9
Interest payable on long-term debt	4,252.1	329.2	642.0	635.4	2,645.5
	12,280.0	**1,232.8**	**925.4**	**762.2**	**9,359.6**

[1] Purchase obligations include commitments for goods and services contracts as at March 31, 2022 the GTAA entered into that are required to operate the Corporation in the ordinary course of business over the next few years. It also includes capital and property commitments of approximately $172.2 million.

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

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at March 31, 2022 of approximately $172.2 million, as compared to $119.7 million at December 31, 2021. In the short-term, the GTAA expects to fund these commitments primarily through proceeds from additional borrowings.

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

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. However, on July 21, 2021, the GTAA completed an amendment of its MTI that temporarily exempts the GTAA from complying with the Rate Covenant for fiscal year 2022. The exemption was sought due to the negative impacts of COVID-19, the unknown duration of the material decline in passenger and flight activity, the risks to achieving covenant compliance and the consequential risks.

NON-GAAP FINANCIAL MEASURES

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

EBITDA and EBITDA Margin

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

Free Cash Flow

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

Net Debt

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

Net Debt per Enplaned Passenger

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

Net Liquidity

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

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

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

The IFRS Interpretations Committee issued an agenda decision on configurations or customizations in cloud computing arrangements. The interpretation provides a framework to assess whether these types of costs can be capitalized as an intangible asset, capitalized as a prepayment or expensed when incurred. The adoption of this agenda decision did not have a material impact on the consolidated financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

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

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

RELATED PARTY TRANSACTIONS

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

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

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

INTERNAL CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

Given the rapidly evolving circumstances surrounding the COVID-19 pandemic and the resulting economic contraction, there is inherently more uncertainty associated with the material factors and assumptions underlying the forward-looking information contained in this document compared to prior periods. There is very limited visibility on travel demand given changing government restrictions in Canada and around the world. These restrictions and concerns about travel due to the COVID-19 pandemic, including passengers' concerns, are severely inhibiting demand for air travel. The COVID-19 pandemic is also having significant impacts, including on business and consumer spending which may impact demand for travel. The GTAA cannot predict the full impact or the timing for when conditions may improve.

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

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

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

Condensed Interim Consolidated Financial Statements of the Greater Toronto Airports Authority

March 31, 2022

Greater Toronto Airports Authority
Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of Canadian dollars)	**March 31 2022**	December 31 2021
	$	$
Assets		
Current assets		
Cash and cash equivalents	**243,178**	258,194
Restricted funds	**130,516**	83,223
Accounts receivable	**95,627**	99,202
Inventory	**14,254**	14,334
Prepaids	**9,737**	5,904
	493,312	460,857
Non-current assets		
Restricted funds	**340,658**	339,424
Intangibles and other assets	**148,657**	153,553
Property and equipment (Note 4)	**5,064,415**	5,126,776
Investment property	**468,100**	469,475
Post-employment benefit asset	**70,589**	65,734
	6,585,731	6,615,819
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**176,101**	187,427
Security deposits and deferred revenue	**55,985**	72,248
Long-term debt and commercial paper (Note 5)	**511,180**	478,896
	743,266	738,571
Non-current liabilities		
Deferred credit	**8,442**	8,992
Post-employment benefit liabilities	**10,494**	10,163
Long-term debt and credit facilities (Note 5)	**6,738,572**	6,734,771
Deferred ground rent payable	**64,190**	63,507
Other liabilities	**6,390**	6,390
	7,571,354	7,562,394
Deficit and Accumulated Other Comprehensive Loss	**(985,623)**	(946,575)
	6,585,731	6,615,819

Commitments (Note 6)

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 Loss

For three months ended March 31, 2022 (unaudited) (in thousands of Canadian dollars)	**2022**	2021
	$	$
Revenues		
Landing fees	**75,885**	51,673
General terminal charges	**39,405**	25,834
Airport improvement fees	**59,157**	10,103
Car parking and ground transportation	**27,914**	11,310
Concessions	**24,935**	18,354
Rentals	**36,089**	27,435
Other	**19,300**	7,399
	282,685	152,108
Operating Expenses		
Ground rent	**30,873**	11,664
Goods and services	**81,721**	61,940
Salary, wages and benefits	**46,062**	33,507
Payments-in-lieu of real property taxes	**3,052**	10,579
Amortization of property and equipment	**71,948**	73,341
Amortization of intangibles	**7,697**	3,731
Amortization of investment property	**3,124**	2,649
	244,477	197,411
Earnings (Loss) before interest and financing costs, net	**38,208**	(45,303)
Interest income	**1,350**	1,462
Interest expense on debt instruments and other financing costs	**(84,185)**	(83,175)
Interest and financing costs, net (Note 5)	**(82,835)**	(81,713)
Net Loss	**(44,627)**	(127,016)
Items that will be reclassified subsequently to Net Loss:		
Amortization of terminated hedges and interest rate swap	**349**	348
Items that will not be reclassified subsequently to Net Loss:		
Pension and non-pension remeasurements, net	**5,230**	15,979
Other Comprehensive Income	**5,579**	16,327
Total Comprehensive Loss	**(39,048)**	(110,689)

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 three months ended March 31, 2022 (unaudited) (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
	$	**$**	**$**
Balance, January 1, 2022	**(929,073)**	**(17,502)**	**(946,575)**
Net Loss	**(44,627)**	**—**	**(44,627)**
Amortization of terminated hedges and interest rate swap	**—**	**349**	**349**
Pension and non-pension remeasurements, net	**5,230**	**—**	**5,230**
Total Comprehensive (Loss) Income for the period	**(39,397)**	**349**	**(39,048)**
Balance, March 31, 2022	**(968,470)**	**(17,153)**	**(985,623)**

For three months ended March 31, 2021 (unaudited) (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Loss	Total
	$	$	$
Balance, January 1, 2021	(583,841)	(18,896)	(602,737)
Net Loss	(127,016)	—	(127,016)
Amortization of terminated hedges and interest rate swap	—	348	348
Pension and non-pension remeasurements, net	15,979	—	15,979
Total Comprehensive (Loss) Income for the period	(111,037)	348	(110,689)
Balance, March 31, 2021	(694,878)	(18,548)	(713,426)

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 three months ended March 31 (unaudited) (in thousands of Canadian dollars)	**2022**	2021
Cash Flows from (used in) Operating Activities	**$**	$
Net Loss	**(44,627)**	(127,016)
Adjustments for:		
Amortization of property and equipment	**71,948**	73,341
Amortization of intangibles and other assets	**8,971**	5,005
Amortization of investment property	**3,124**	2,649
Net loss on disposal of property and equipment and intangible assets	**(42)**	—
Post-employment benefit plans	**706**	316
Interest and financing costs, net	**82,835**	81,713
Amortization of deferred credit	**(550)**	(550)
Changes in working capital and other:		
Accounts receivable	**3,575**	9,370
Prepaids	**(3,833)**	(1,700)
Ground rent receivable	**—**	14,388
Inventory	**80**	(238)
Accounts payable and accrued liabilities	**10,888**	(3,420)
Security deposits and deferred revenue	**(16,263)**	463
Ground rent deferred payable	**683**	11,398
Other liabilities	**—**	(1,000)
	117,495	64,719
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	**(34,951)**	(54,435)
Acquisition and construction of investment property	**(1,723)**	—
Increase in restricted funds	**(48,527)**	(37,263)
	(85,201)	(91,698)
Cash Flows from (used in) Financing Activities		
Issuance of commercial paper	**—**	84,909
Interest paid and other financing costs, net	**(47,310)**	(47,927)
	(47,310)	36,982
Net Cash (Outflow) Inflow	**(15,016)**	10,003
Cash and cash equivalents, beginning of period	**258,194**	103,173
Cash and cash equivalents, end of period	**243,178**	113,176

As at March 31, 2022, cash and cash equivalents consisted of cash of $46.8 million (December 31, 2021 – $87.2 million) and cash equivalents of $196.4 million (December 31, 2021 – $171.0 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 three months ended March 31, 2022 and 2021 (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") applicable to the preparation of interim financial statements, including International Accounting Standard ("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 2021 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, 2021 consolidated financial statements except as described below.

These condensed interim consolidated financial statements were approved for issue on May 10, 2022 by the Audit Committee of the Board of Directors.

Changes in Accounting Policy and Disclosures

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

a) Amendments to IAS 37, Provisions, contingent liabilities and contingent assets:

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

b) Amendments to IAS 16, Property, plant and equipment:

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

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

The IFRS Interpretations Committee issued an agenda decision on configurations or customizations in cloud computing arrangements. The interpretation provides a framework to assess whether these types of costs can be capitalized as an intangible asset, capitalized as a prepayment or expensed when incurred. The adoption of this agenda decision did not have a material impact on the consolidated financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

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

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

4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

March 31, 2022	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets Under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	**7,105,045**	**456,126**	**9,480**	**597,754**	**735,915**	**247,899**	**9,152,219**
Additions	**121**	**—**	**—**	**—**	**—**	**9,353**	**9,474**
Disposals	**41**	**—**	**—**	**—**	**—**	**—**	**41**
Transfers	**9,565**	**1,039**	**—**	**20,261**	**6,946**	**(37,811)**	**—**
Balance, end of period	**7,114,772**	**457,165**	**9,480**	**618,015**	**742,861**	**219,441**	**9,161,734**
Accumulated amortization							
Balance, beginning of year	**3,060,447**	**249,992**	**3,958**	**275,377**	**435,669**	**—**	**4,025,443**
Amortization expense	**49,130**	**3,725**	**39**	**5,704**	**13,350**	**—**	**71,948**
Disposals	**(36)**	**—**	**—**	**—**	**(36)**	**—**	**(72)**
Balance, end of period	**3,109,541**	**253,717**	**3,997**	**281,081**	**448,983**	**—**	**4,097,319**
Net book value, end of period	**4,005,231**	**203,448**	**5,483**	**336,934**	**293,878**	**219,441**	**5,064,415**

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

As at March 31, 2022, $219.4 million (December 31, 2021 – $247.9 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $9.3 million (December 31, 2021 – $9.0 million) of capitalized interest. During the three months ended March 31, 2022, borrowing costs for active projects were capitalized at the rate of 4.7 per cent, which represents the weighted-average cost of the GTAA's general borrowings (January 1 to March 31, 2021 – 4.8 per cent).

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

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

Series	Coupon Rate	Maturity Date	Principal Amount	March 31 2022	December 31 2021
Revenue Bonds			$	$	$
1997-3	6.45%	December 3, 2027	321,500	**326,197**	321,033
1999-1	6.45%	July 30, 2029	221,536	**223,100**	226,687
Medium-Term Notes					
2000-1	7.05%	June 12, 2030	526,550	**536,589**	527,467
2001-1	7.10%	June 4, 2031	492,150	**500,446**	491,813
2002-3	6.98%	October 15, 2032	468,960	**483,647**	475,531
2004-1	6.47%	February 2, 2034	567,428	**568,892**	578,162
2010-1	5.63%	June 7, 2040	400,000	**404,615**	399,066
2011-1	5.30%	February 25, 2041	600,000	**599,739**	607,765
2011-2	4.53%	December 2, 2041	400,000	**403,308**	398,832
2012-1	3.04%	September 21, 2022	388,000	**388,151**	391,070
2018-1	3.26%	June 1, 2037	500,000	**502,217**	498,167
2019-1	2.73%	April 3, 2029	500,000	**504,539**	501,096
2019-2	2.75%	October 17, 2039	900,000	**904,827**	898,646
2020-1	1.54%	May 3, 2028	500,000	**500,688**	498,695
2021-1	3.15%	October 5, 2051	400,000	**402,797**	399,637
				7,249,752	7,213,667
Less: Current portion (including accrued interest)				**(511,180)**	(478,896)
				6,738,572	6,734,771

As at March 31, 2022, accrued interest included in the current portion of the long-term debt was $100.7 million (December 31, 2021 – $65.5 million).

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

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

	Three Months Ended March 31	
	2022	2021
	$	$
Interest income	**1,350**	1,462
Interest expense on debt instruments	**(83,374)**	(80,659)
Capitalized interest	**909**	909
Amortization of terminated hedges and interest rate swap	**(349)**	(348)
MTI amendment fees	**—**	(1,883)
Other financing fees	**(1,371)**	(1,194)
	(84,185)	(83,175)
Interest and financing costs, net	**(82,835)**	(81,713)

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.

	March 31, 2022		December 31, 2021	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**7,249,752**	**7,737,197**	7,213,667	8,535,793

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 price based on yields over Government of Canada bonds with similar terms to maturity.

Credit Facilities

The $1.4 billion Operating Credit Facility is used for general corporate purposes to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the Operating Credit Facility.

As at March 31, 2022, no CP was outstanding (December 31, 2021 – $nil), no amounts were drawn from the Operating Credit Facility (December 31, 2021 – $nil), $90.1 million of the $150.0 million Letter of Credit Facility was utilized (December 31, 2021 – $82.3 million), and there were no outstanding contracts under the $150.0 million hedge facility.

As at March 31, 2022, the GTAA had borrowing capacity under its Operating Credit Facility available of $1.4 billion ($nil million outstanding CP to backstop), available capacity under its Letter of Credit Facility of $59.9 million and unrestricted cash of $243.2 million, for an aggregate of $1.7 billion in total available liquidity.

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

6. COMMITMENTS

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding as at March 31, 2022, of approximately $172.2 million (December 31, 2021 - $119.7 million).

7. 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 accounts receivable, accounts payable and accrued liabilities, security deposits, long-term debt and commercial paper, and other liabilities. The fair values of these items, excluding long-term debt, approximate their carrying values due to their short-term nature. The fair value of long-term debt is disclosed in Note 5, 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.

8. COVID-19 IMPACT

The COVID-19 pandemic continues to have a material negative impact on demand for air travel in Canada and to a lesser degree globally. The COVID-19 pandemic has placed downward pressures on the GTAA's liquidity. Though the GTAA has experienced a loss during the first quarter of 2022 due to lower passenger volume compared to 2019 levels, given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.