

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

June 30, 2022

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

June 30, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

Dated August 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 three- and six-months ended June 30, 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

For the periods ended June 30

	Three months				Six months			
	2022	2021	Change ¹		2022	2021	Change ¹	
(\$ millions)			%				%	
Total Revenues	383.7	154.2	229.5	148.9	666.4	306.3	360.1	117.6
Total operating expenses (excluding amortization)	166.9	108.8	58.1	43.9	328.6	226.5	102.1	45.1
EBITDA ^{2,3}	216.8	45.4	171.4	377.5	337.8	79.8	258.0	322.8
EBITDA Margin ^{2,3}	56.5 %	29.4 %		27.1 pp	50.7 %	26.1 %		24.6 pp
Earnings (Loss) Before Interest, Net ⁴	134.4	(36.7)	171.1	466.2	172.6	(82.0)	254.6	310.5
Net Income (Loss)	51.5	(118.1)	169.6	143.6	6.9	(245.1)	252.0	102.8
<i>See "Results of Operations" for details</i>								
<i>See Net Operating Results for reconciliation from net income (loss) to EBITDA</i>								
Free Cash Flow ⁵ (\$ millions)	77.1	(111.4)	188.5	169.2	110.6	(149.0)	259.6	174.2
<i>See "Liquidity and Capital Resources" section for details</i>								
Passenger Activity (millions)								
Domestic	3.8	0.6	3.2	492.9	5.9	1.2	4.7	381.6
International	5.5	0.4	5.1	1,229.5	8.7	0.9	7.8	858.3
Total	9.3	1.0	8.3	780.4	14.6	2.1	12.5	584.1
Flight Activity								
Aircraft movements (thousands)	87.4	24.2	63.2	260.8	150.7	47.0	103.7	220.6
MTOW ⁶ (million tonnes)	7.7	2.7	5.0	184.8	13.5	5.4	8.1	150.8
Seats (millions)	11.4	2.6	8.8	345.4	19.5	5.2	14.3	273.4
Load factor	81.3 %	40.8 %		40.5 pp	74.8 %	40.7 %		34.1 pp
<i>See "Operating Activity" section for details</i>								
					As at June 30			
	2022	2021	Change ¹				%	
Total Debt (\$ millions)	6,902.4	7,182.6	(280.2)	(3.9)				
Net Debt ⁷	6,419.1	6,630.8	(211.7)	(3.2)				
Key Credit Metrics (\$)								
Total Debt / Enplaned Passenger ⁸	549	2,720	(2,171)	(79.8)				
Net Debt ⁷ / Enplaned Passenger ⁸	511	2,511	(2,000)	(79.6)				
<i>See "Liquidity and Capital Resources" section for details</i>								

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

2 EBITDA, a non-GAAP financial measure, is operating earnings before interest and financing costs and amortization and comprehensive income adjustments. 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.

Financial and Operational Performance Summary

Since the third quarter of 2021, operating activity at the Airport has grown significantly from the same prior periods, however, all measures of operating activity continue to be well below the 2019 levels (pre-COVID-19 pandemic). Passenger activity for the second quarter of 2022 was 72.7 per cent of activity from the same period of 2019 and the first half of 2022 was 59.6 per cent of passenger activity from the same period of 2019.

During the second quarter of 2022:

- Toronto Pearson processed 9.3 million passengers, an increase of 8.3 million or 780.4 per cent more passengers than it did in the same period of 2021 due to the easing of the COVID-19 pandemic ("pandemic") and associated travel restrictions, and pent-up travel demand during the second quarter of 2022;
- Passenger volumes at Toronto Pearson significantly increased to an average of 102,000 per day from an average of 11,500 per day in the same period of 2021;
- The average number of flights increased to 960 per day as compared to 266 per day in the same period of 2021; and
- The number of passenger and flight activity remains lower than historic measures, particularly when compared to the same period in 2019, when passenger volumes averaged 140,000 per day and number of flights averaged 1,200 per day in such period.

During the first six months of 2022:

- Toronto Pearson processed 14.6 million passengers, an increase of 12.5 million or 584.1 per cent more passengers than it did in the same period of 2021 due to the easing of the pandemic and associated travel restrictions, and pent-up travel demand during the first six months of 2022;
- Passenger volumes at Toronto Pearson significantly increased to an average of 80,000 per day from an average of 11,700 per day in the same period of 2021;
- The average number of flights increased to 830 per day as compared to 259 per day in the same period of 2021; and
- The number of passenger and flight activity remains 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 June 30, 2022, airlines operating at Toronto Pearson increased to 59 from 43 as at June 30, 2021.

The financial results of the second quarter of 2022 finished ahead of the second quarter of 2019 levels. It is the first quarter to generate net income since the first full quarter of COVID-19 in early 2020 despite passenger volumes remaining below 2019 levels.

During the three- and six-months ended June 30, 2022, the GTAA:

- Earned revenues of \$383.7 million, an increase of \$229.5 million or 148.9 per cent, and \$666.4 million, an increase of \$360.1 million or 117.6 per cent, compared to the same periods of 2021, respectively;
- Earned net income of \$51.5 million, an increase of \$169.6 million or 143.6 per cent, and \$6.9 million, an increase of \$252.0 million or 102.8 per cent, compared to the net losses of \$118.1 million and \$245.1 million in the same periods of 2021, respectively; and
- Generated free cash flow of \$77.1 million, an increase of \$188.5 million, and \$110.6 million, an increase of \$259.6 million, compared to the same periods of 2021, respectively.

On May 26, 2022, the GTAA announced the hire of a new Vice President, Stakeholder Relations & Communications, Karen Mazurkewich. Karen commenced on June 6, 2022. Subsequent to the second quarter of 2022, the GTAA announced that Ian Clarke, Chief Financial Officer, and Pat Neville, Vice President of Airport Development and Technical Services, will retire effective December 31, 2022. The GTAA has begun the search process to replace Mr. Clarke and Mr. Neville.

Operational Challenges

The second quarter of 2022 saw the continued easing of the pandemic and associated travel restrictions, and the resultant increase in travel volume. As the airport and its partners responded to service this increasing demand, the peak hours were often met with several transitory challenges. These included long lines for pre-boarding security screening, congestion on arrival at Canada Customs that led to holding aircraft at gates and metering passengers into the Customs Hall. Last minute flight cancellations by air carriers, as well as issues of airlines reuniting passengers with their luggage together with resiliency issues with the Airport's baggage system have been experienced. Ongoing staffing challenges, health measures (vaccination mandates, airport testing, which were in place until mid-June 2022) and other changes to procedures had broad impacts on the whole aviation sector, including: the airlines and their service providers in the provision of timely departures and baggage return; the government agencies providing border security and customs services; and NavCanada, the country's air navigation operator.

The flow of baggage has been particularly challenged with the return of strong demand for travel. The poor on-time performance of the world's airlines has resulted in a high number of misconnected bags that have to be processed manually by staff at the intermediate connecting airport, and forwarded on later flights many of which are already at full capacity. In addition, various challenges at airports and staff shortages in airlines and ground handlers have impacted the timely flow of baggage with their passengers. The GTAA and its partners are in the process of addressing the baggage system operations to improve its flow and efficiency.

The GTAA and its aviation partners operating at Toronto Pearson are seeking to increase the workforce required to serve surging travel demand, whether by recalling employees who were laid off earlier in the pandemic or who were on leave of absence due to the vaccination policy or by hiring new staff. The GTAA is also continuing to face challenges with U.S. Customs and Border Protection ("USCBP") operating reduced hours for pre-clearance and maintaining staffing at lower than 2019 levels; as a result, wait times to clear U.S. customs have been approximately 45 to 60 minutes during peak hours this summer of 2022.

The labour challenges and the extensive period of travel restrictions have created a challenging situation at airports across Canada and globally. Airports, the Government of Canada and the airline industry have been working to address these various transitory challenges collectively. The Government of Canada has assisted by hiring additional Canadian Air Transport Security Authority ("CATSA") security screening staff as has the Canada Border Services Agency ("CBSA") officers complimented by summer students. The Government temporarily eliminated on-site Mandatory Random COVID-19 testing ("MRT") at airports, but restarted testing on July 19, 2022 in a manner that does not impede the international arrivals process and has testing taking place outside of the Airport, and suspended the vaccine mandate for federally regulated workers, domestic travel and outbound international travel.

COVID-19 Pandemic Measures During Second Quarter of 2022

During the second quarter of 2022, the GTAA, both solely and in cooperation with government, partners and employees, has acted in response to the pandemic.

a. 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 continues to adapt to changing circumstances and evolving public health measures. The program outlines the steps that the

Airport and its partners have implemented to help restore and maintain confidence in the safety of air travel during and after the COVID-19 pandemic.

- Effective June 20, 2022, the Government of Canada suspended COVID-19 vaccination requirements for domestic and outbound travel, for federally regulated transportation sectors and federal government employees. The suspension of these requirements came as a result of the improved COVID-19 situation in Canada. Vaccination requirements for travellers entering Canada continue to be in place, including the vaccination requirement for arriving trans-border and international visitors. Also, effective June 20, 2022, the requirement for Airport employees, partners and vendors to be fully vaccinated and provide proof of vaccination was also suspended.
- Over the course of June to August 2022, the GTAA has made process flow improvements in the Terminal 1 Customs Hall by adding 12 eGates and 34 primary inspection kiosks. In addition, 20 new generation kiosks will be installed in Terminal 3 during August 2022 to improve capacity, passenger flows and wait times to meet passenger demand. All devices have been configured to take advantage of CBSAs Advanced Declaration process. Recently, the Canadian government made changes to its mandatory ArriveCan app by integrating Advance Declaration into the app on June 28, 2022, which has had a significant benefit in reducing processing times.

b. Testing

- 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 and easing of 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, or an antigen test taken within 24-hours of departure. Effective April 1, 2022, fully vaccinated international travellers no longer need to provide a pre-entry COVID-19 test result to enter Canada.

Arrival - Mandatory Random COVID-19 Testing by Federal Government

- During the second quarter of 2022, the Canadian federal government made changes to the required surveillance COVID-19 testing program, requiring randomized testing of fully vaccinated international arrivals and 100 per cent testing of unvaccinated international arrivals, and removing testing of connecting travellers on routes included in CBSA's International to Domestic program in Terminal 1. Take-home test kits were used to achieve the randomized sample size daily threshold without excessive disruption to passenger flow on arrival. Between June 11, 2022 and July 18, 2022, the federal government temporarily suspended the MRT at airports for vaccinated travellers, although unvaccinated travellers continued to be tested within the Airport. Effective July 1, 2022, all COVID-19 testing has been conducted outside of the Airport and effective July 19, 2022, MRT of fully-vaccinated travellers resumed, however, it is also now performed outside of the Airport.

c. Government Financial Support:

- 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 new check-in service kiosks, 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.

d. Management's Financial Assessment:

- As a result of COVID-19, potential new variants and changing travel restrictions in place in Canada and around the world, together with the staffing and other challenges faced by the global aviation industry, there remains limited accurate visibility on the future of travel demand. 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 has diminished. 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 full recovery will be achieved, and the pandemic will not have a material impact on the long-term financial sustainability of the Airport.
- Given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance to date and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.
- The pandemic, potential new waves and variants of concern, labour supply challenges, rising inflation and interest rates, volatile geopolitical circumstances and a potential slowdown in the economy may impact the GTAA's operations, cost of capital, access to capital markets, credit ratings, 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, efficient and safe flow of passengers, 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

The second quarter of 2022 saw the continued easing of the pandemic and associated travel restrictions, and the resultant increase in travel volume. However, ongoing health measures and staffing challenges have impacted the whole sector, particularly the airline industry, CATSA, CBSA and USCBP officers and at NavCanada. Airports, the Government of Canada and the airline industry have been working to address these various transitory challenges collectively.

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 second quarter of 2022, 9.3 million passengers travelled through the Airport, representing an increase of 8.3 million passengers or 780.4 per cent, as compared to the same period in 2021. During the second quarter of 2022, the largest increase was in the international sector at 13.8 times over the same period of 2021, whereas, the domestic sector increased at 6.3 times over the same period of 2021.

During the first six months of 2022, 14.6 million passengers traveled through the Airport, a significant increase of 12.5 million or 584.1 per cent, as compared to the same period in 2021. During the first six months of 2022, the largest growth was in the international sector with an increase of 7.8 million or 858.3 per cent, whereas the domestic sector recorded an increase in passenger traffic of 4.7 million or 381.6 per cent, when compared to the first six months of 2021. Passenger activity increased given the easing of pandemic-related 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- and six-month periods ended June 30, 2022 and 2021:

Passenger Activity ²	For the periods ended June 30							
	Three months				Six months			
	2022	2021	Change ¹		2022	2021	Change ¹	
(in millions)			%				%	
Domestic	3.8	0.6	3.2	492.9	5.9	1.2	4.7	381.6
International	5.5	0.4	5.1	1,229.5	8.7	0.9	7.8	858.3
Total	9.3	1.0	8.3	780.4	14.6	2.1	12.5	584.1
(in millions)								
Origin and destination	6.5	0.7	5.8	696.7	10.4	1.5	8.9	555.4
Connecting	2.8	0.3	2.5	1,069.4	4.2	0.6	3.6	667.9
Total	9.3	1.0	8.3	780.4	14.6	2.1	12.5	584.1
Origin and destination ¹	70.3 %	73.9 %	(3.6)pp		71.3 %	72.6 %	(1.3)pp	
Connecting ¹	29.7 %	26.1 %	3.6 pp		28.7 %	27.4 %	1.3 pp	
Total	100.0 %	100.0 %			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.

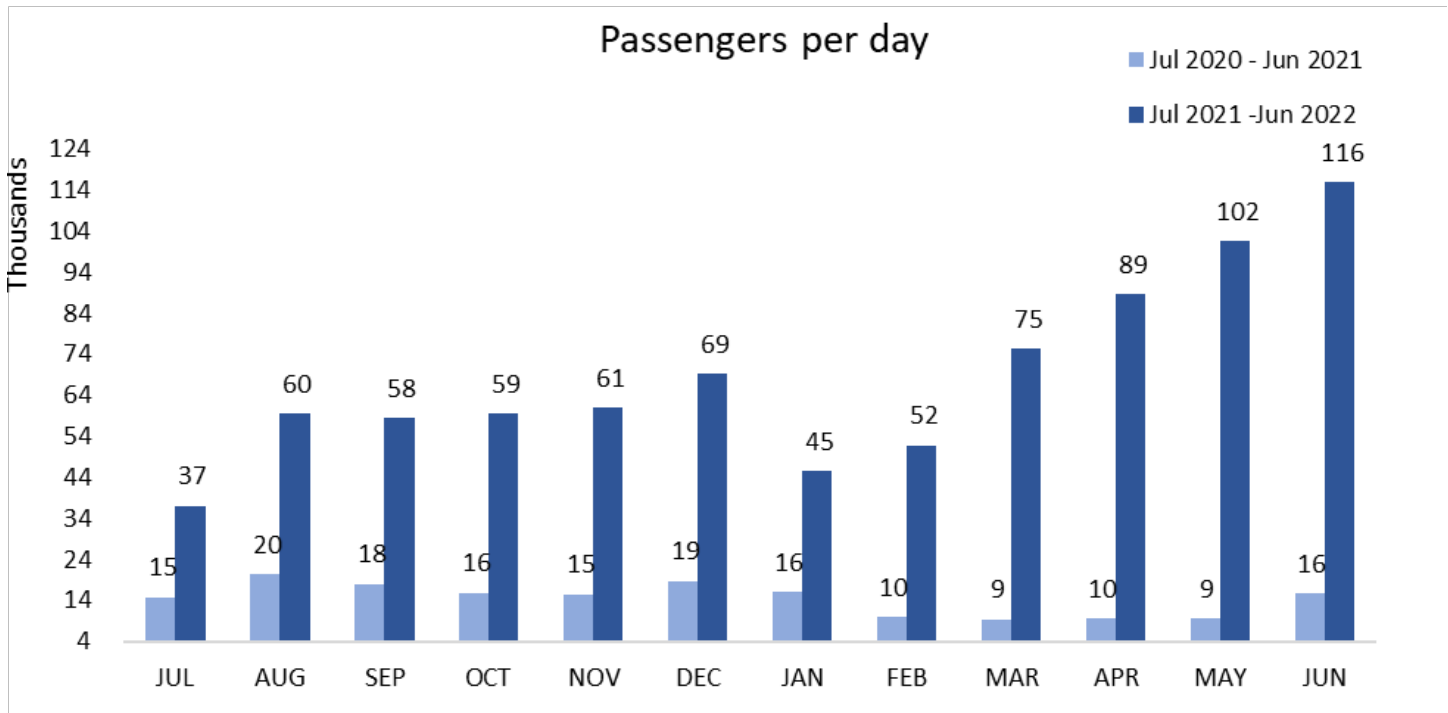
Passengers are further segmented into two principal types of passengers: origin and destination passengers and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, which measures reflect the economic health of a region, while a connecting passenger changes aircraft at that same airport en route to a final destination, which measures indicate the strength of a hub. During the first six months of 2022, the number of origin and destination passengers increased 8.9 million or 555.4 per cent to 10.4 million passengers while the number of connecting passengers increased 3.6 million or 667.9 per cent to 4.2 million passengers, when compared to the same period of 2021. During the first six months of 2022, the percentages of origin and destination passengers and connecting passengers were 71.3 per cent and 28.7 per cent compared to 72.6 per cent and 27.4 per cent in the same period of 2021, respectively.

During the second quarter of 2022, Toronto Pearson's passenger activity has been directly and materially impacted by the easing of the pandemic and travel restrictions, and the pent-up-demand. Passenger volumes at Toronto Pearson significantly increased to an average of 102,000 per day from an average of 11,500 per day in the same period of 2021. The average number of flights increased to 960 per day as compared to 266 per day in the same period of 2021.

During the first six months of 2022, Toronto Pearson's passenger activity was initially impacted by the COVID-19 pandemic in the first couple of months, however, the remaining period was impacted by easing of the pandemic and government restrictions, and pent-up-demand for travel. Passenger volumes at Toronto Pearson significantly increased to an average of 80,000 per day from an average of 11,700 per day in the same period of 2021. The average number of flights increased to 830 per day as compared to 259 per day in the same period of 2021.

As at June 30, 2022, airlines operating at Toronto Pearson increased to 59 from 43 as at June 30, 2021.

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



During the first half of 2022, the COVID-19 pandemic continued to impact passenger levels and flight volumes negatively, but these volumes were significantly higher than the first half of 2021. While some of the following travel and advisory restrictions remain, others have been lifted. Factors and restrictions that negatively impacted passengers and travel were, at various times:

- 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 restrict travel to Canada;
- the general confusion and uncertainty of these rules and around the use of the ArriveCan app;
- air carrier route changes and cancellations;
- air carrier ad hoc changes, delays and cancellations in flight schedules;
- continued border restrictions on travel into Canada 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 test result for all international travellers to Canada, and the requirement of a pre-departure negative antigen test result for travellers 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 a specified number of international fully vaccinated arrivals, 100 per cent of unvaccinated international arrivals and the mandatory random testing of travellers coming directly from the US. Between June 11, 2022 and July 18, 2022, the federal government temporarily suspended the MRT at airports for vaccinated travellers, although unvaccinated travellers continued to be tested within the Airport. Effective July 1, 2022, all COVID-19 testing has been conducted outside of the Airport and effective July 19, 2022, MRT of fully-vaccinated travellers resumed, however, it is also now performed outside of the Airport.; and
- the mandatory vaccination requirement by the federal government for all domestic and departing travellers (suspended June 20, 2022 by the federal government).

Flight Activity

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

The following table summarizes aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor for the three- and six-month periods ended June 30, 2022 and 2021.

Flight Activity ¹	For the periods ended June 30							
	Three months			Six months				
	2022	2021	Change ²		2022	2021	Change ²	
			%				%	
<i>(in thousands)</i>								
Aircraft movements ³	87.4	24.2	63.2	260.8	150.7	47.0	103.7	220.6
Passenger aircraft movements	75.4	17.3	58.1	335.3	128.6	34.2	94.4	276.1
<i>(in millions)</i>								
MTOW (tonnes)	7.7	2.7	5.0	184.8	13.5	5.4	8.1	150.8
Seats	11.4	2.6	8.8	345.4	19.5	5.2	14.3	273.4
Seats per passenger aircraft movement	151.5	148.1	3.4	2.3	151.3	152.4	(1.1)	(0.7)
Load factor	81.3 %	40.8 %	40.5 pp		74.8 %	40.7 %	34.1 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.

For the three- and six-month periods ended June 30, 2022, aircraft movements, which include both passenger and non-passenger, increased 260.8 per cent and increased 220.6 per cent, respectively, as compared to the same periods in 2021. For the three- and six-month periods ended June 30, 2022, passenger aircraft movements increased 335.3 per cent and increased 276.1 per cent, respectively, as compared to the same periods of 2021. The increases were due to the significant increases in passenger volume for the periods.

For the three- and six-month periods ended June 30, 2022, MTOW increased 184.8 per cent to 7.7 million tonnes and increased 150.8 per cent to 13.5 million tonnes, respectively, compared to the same periods of 2021.

For the three- and six-month periods ended June 30, 2022, seats increased by 345.4 per cent to 11.4 million seats and increased 273.4 per cent to 19.5 million seats, respectively, compared to the same periods in 2021. The number of seats per passenger aircraft movement for the three- and six-month periods ended June 30, 2022, increased by 2.3 per cent to 151.5 seats and decreased by 0.7 per cent to 151.3 seats, respectively, compared to the same periods in 2021. This is due to the resumption in the second quarter of 2022 of international flights with larger aircraft, which was enabled by the loosening of travel restrictions. In addition, the six-month period of 2022 included a return toward lower average pre-COVID aircraft sizes in the first quarter of 2022. Load factors for the three- and six-month periods ended June 30, 2022, increased 40.5 percentage points and 34.1 percentage points, respectively, compared to the same periods of 2021.

Five new airlines started operation at Toronto Pearson during the second quarter of 2022: Canadian North, Air North, Lynx Air, Royal Jordanian and SAS (Scandinavian Airlines). Three airlines returned to Toronto Pearson during the second quarter of 2022 after a prolonged hiatus: Condor, EVA Air (Evergreen Airways) and OWG (Off We Go).

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 Airport Improvement Fee ("AIF") agreements with each air carrier that takes off from and lands at Toronto Pearson whereby air carriers undertake to collect AIF from each of their enplaned passengers on the GTAA's behalf.

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- and six-month periods ended June 30, 2022 and 2021.

For the periods ended June 30

Revenues <i>(\$ millions)</i>	Three months				Six months			
	2022	2021	Change ¹		2022	2021	Change ¹	
			\$	%			\$	%
Landing fees	92.8	52.0	40.8	78.3	168.7	103.7	65.0	62.6
General terminal charges	51.6	25.6	26.0	101.7	91.0	51.4	39.6	77.0
Aeronautical Revenues	144.4	77.6	66.8	86.0	259.7	155.1	104.6	67.4
Concessions and rentals	64.8	45.5	19.3	42.1	125.8	91.3	34.5	37.7
Car parking and ground transportation	44.5	9.9	34.6	350.3	72.4	21.2	51.2	241.8
Other	22.8	6.9	15.9	230.7	42.1	14.3	27.8	194.5
Commercial Revenues	132.1	62.3	69.8	111.9	240.3	126.8	113.5	89.5
Airport Improvement Fees	107.2	14.3	92.9	652.5	166.4	24.4	142.0	583.3
Total Revenues	383.7	154.2	229.5	148.9	666.4	306.3	360.1	117.6

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

Aeronautical revenues increased 86.0 per cent to \$144.4 million and increased 67.4 per cent to \$259.7 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021, due to growth from the significant flight activity over the same periods of 2021.

Consolidated concession and rental revenues increased by 42.1 per cent to \$64.8 million and 37.7 per cent to \$125.8 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. This increase was mainly due to the significant growth in operating activity in the first half of 2022 over the same period of 2021. The GTAA's concession revenues, which includes retail tenants, advertising and sponsorship partners revenues at the Airport, increased 54.1 per cent to \$27.1 million and 44.8 per cent to \$52.0 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. Rental revenues increased 34.6 per cent to \$37.7 million and 33.1 per cent to \$73.8 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. Excluding ACI revenues, rental revenues increased 40.5 per cent to \$29.3 million and increased 38.6 per cent to \$55.7 million during the three- and six-month periods ended June 30, 2022, respectively when compared to the same periods in 2021.

During the 12-month period prior to the end of June 30, 2022, retail store sales per enplaned passenger ("SPE") at Toronto Pearson were \$26.47 versus \$26.70 in the same period of 2021, a \$0.23 or 0.9 per cent decrease. The decrease was primarily due to lower Duty Free SPE as a result of the change in the passenger mix (lower international passengers that normally have higher spend rates) during the 12-month period ended June 30, 2022. 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, whichever is higher. Some agreements are MAG plus percentage rent but this represents a small amount of partners. Retail stores include retail, restaurant and beverage establishments.

During the first six months of 2022, food and beverage business performance has doubled and retail operations (excluding food and beverage) increased by approximately 21 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 six months 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 350.3 per cent to \$44.5 million and 241.8 per cent to \$72.4 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. The increase was mainly due to the increased operating activity growth and revenue management in the first six months of 2022. 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, and Car Care reopened during the second quarter of 2022.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 230.7 per cent to \$22.8 million and 194.5 per cent to \$42.1 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. The significant increase in other revenues were primarily from the Deicing operations. Deicing revenues increased 264.1 per cent to \$18.8 million and 221.9 per cent to \$33.1 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021 due to increased flight activity and higher operating costs associated with the increased activity that are passed through to the customer. The deicing revenues are based and calculated on a cost-recovery model.

AIF revenues increased 652.5 per cent to \$107.2 million and increased 583.3 per cent to \$166.4 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. The increase was due to the increased passenger volume slightly offset by a higher proportion of connecting versus originating/ departing passengers for both periods.

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- and six-month periods ended June 30, 2022 and 2021.

Expenses (\$ millions)	For the periods ended June 30							
	Three months				Six months			
	2022	2021	Change ¹		2022	2021	Change ¹	
			\$	%			\$	%
Ground rent	42.3	11.0	31.3	281.8	73.2	22.7	50.5	221.7
PILT ²	3.1	10.6	(7.5)	(71.2)	6.1	21.2	(15.1)	(71.2)
Total ground rent and PILT	45.4	21.6	23.8	109.4	79.3	43.9	35.4	80.6
Goods and services	74.3	55.3	19.0	34.5	156.0	117.2	38.8	33.1
Salaries, wages and benefits	47.2	31.9	15.3	48.1	93.3	65.4	27.9	42.7
Total Operating Expenses before Amortization	166.9	108.8	58.1	43.9	328.6	226.5	102.1	45.1
Amortization of property and equipment, investment property and intangible assets	82.4	82.1	0.3	0.3	165.2	161.9	3.3	2.0
Total Operating Expenses	249.3	190.9	58.4	25.8	493.8	388.4	105.4	27.1
Interest expense on debt instruments and other financing costs, net of interest income	82.9	81.4	1.5	1.9	165.7	163.1	2.6	1.6
Total Expenses	332.2	272.3	59.9	18.8	659.5	551.5	108.0	19.6

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 281.8 per cent to \$42.3 million and 221.7 per cent to \$73.2 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 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 \$3.1 million and 71.2 per cent to \$6.1 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods 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 34.5 per cent or \$19.0 million to \$74.3 million during the three-month period ended June 30, 2022, when compared to the same period in 2021. The increased costs were due to the higher AIF fees from increased passenger volumes, higher energy costs, professional and consulting services, security costs, cleaning and repairs and maintenance costs.

Expenditures for goods and services increased 33.1 per cent or \$38.8 million to \$156.0 million during the six-month period ended June 30, 2022, when compared to the same period in 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 AIF fees from increased passenger volumes, higher energy costs, security costs, cleaning and repairs and maintenance costs.

Salaries, wages and benefits increased 48.1 per cent or \$15.3 million to \$47.2 million during the three-month period ended June 30, 2022, when compared to the same period in 2021. The increase was primarily due to the federal government's wage subsidy through the CEWS program in the second quarter of 2021 of \$11.3 million, whereas there was no subsidy in the same period of 2022. In addition, there were additional new employees hired in Airport operations due to the increased operating activity at the Airport. Salaries, wages and benefits increased 42.7 per cent or \$27.9 million to \$93.3 million during the six-month period ended June 30, 2022, when compared to the same period in 2021. The increase in this expense was primarily due to the federal government's wage subsidy through the CEWS program in the first half of 2021 of \$22.9 million, whereas there was no subsidy in the same period of 2022. In addition, there were additional new employees hired in Airport operations due to the increased operating activity at the Airport.

Amortization of property and equipment, investment property and intangible assets increased 0.3 per cent to \$82.4 million and 2.0 per cent to \$165.2 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. The increase in the second half of 2022 was mainly due to the acceleration of amortization of certain assets in the first quarter of 2022.

Interest expense and other financing costs, net of interest income, increased 1.9 per cent to \$82.9 million and 1.6 per cent to \$165.7 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods 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 increase in interest income due to higher interest rates in 2022 and the remaining 2020 Master Trust indenture ("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- and six-month periods ended June 30, 2022 and 2021.

Net Operating Results (\$ millions)	For the periods ended June 30							
	Three months				Six months			
	2022	2021	Change ¹		2022	2021	Change ¹	
			\$	%			\$	%
Net Income (Loss)	51.5	(118.1)	169.6	143.6	6.9	(245.1)	252.0	102.8
Add: Interest and financing costs, net	82.9	81.4	1.5	1.9	165.7	163.1	2.6	1.6
Earnings (Loss) Before Interest, net	134.4	(36.7)	171.1	466.2	172.6	(82.0)	254.6	310.5
Add: Amortization ²	82.4	82.1	0.3	0.3	165.2	161.9	3.3	2.0
EBITDA ³	216.8	45.4	171.4	377.5	337.8	79.9	257.9	322.8
EBITDA Margin	56.5 %	29.4 %		27.1 pp	50.7 %	26.1 %		24.6 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 second quarter of 2022, the GTAA earned a net income of \$51.5 million, an improvement in operating results of \$169.6 million when compared to the net loss of \$118.1 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. During the first six months of 2022, the GTAA incurred a net income of \$6.9 million, an improvement in operating results of \$252.0 million when compared to the net loss of \$245.1 million in the same period of 2021. The improvement in operating results were due to the same reasons.

Earnings before interest and financing costs and amortization (“EBITDA”) increased 377.5 per cent to \$216.8 million, and 322.8 per cent to \$337.8 million during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 2021. The EBITDA margin increased by 27.1 percentage points to 56.5 per cent, and 24.6 percentage points to 50.7 per cent during the three- and six-month periods ended June 30, 2022, respectively, when compared to the same periods in 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 September 30, 2020 through June 30, 2022, is set out in the following table.

	Quarter Ended							
	2022		2021				2020	
(\$ millions) ¹	Jun	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Revenues	384	283	275	246	154	152	151	148
Operating expenses (excluding amortization) ²	167	162	157	125	109	117	102	138
Amortization ²	82	83	81	90	82	80	89	100
Earnings (Loss) before interest and financing costs, net	135	38	37	31	(37)	(45)	(40)	(90)
Interest and financing costs, net	83	83	84	89	81	82	77	87
Net Income (Loss)	52	(45)	(47)	(58)	(118)	(127)	(117)	(177)

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. The financial results of the second quarter of 2022 finished ahead of the second quarter of 2019 levels. It is the first quarter to generate net income since the first full quarter of COVID-19 in early 2020 despite passenger volumes remaining below 2019 levels.

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 six months of 2022, the GTAA funded capital investments primarily through operating cash flows. 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 new check-in service kiosks, 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 rehabilitate an estimated 1.5 million square metres of airside surfaces. The program is based on current pavement condition surveys and predictive restoration modelling. During the first quarter of 2022, reconstruction of runway 06L24R and the associated taxiways commenced. From the inception of the Airside Pavement Restoration Program to June 30, 2022, the GTAA has expended \$77.5 million. During the three- and six-month periods ended June 30, 2022, the GTAA expended \$21.4 million and \$22.2 million, respectively, as part of restoration construction work.

Baggage-Handling Infrastructure Program – In 2018, the GTAA began the Baggage-Handling Infrastructure Program in both its terminals to add baggage-handling capacity, to improve system reliability and dependability, and to meet current as well as future anticipated baggage processing requirements. Phase 1 of the program commenced in the fourth quarter of 2018 and includes four design-build work packages that are intended to enhance the way the Airport operates in baggage processing systems, and to enhance the passenger experience. Three of the four work packages are complete and the primary focus in 2022 will be the re-start of the fourth work package (Terminal 3 early baggage storage). From the inception of the Baggage-Handling Infrastructure Program to June 30, 2022, the GTAA has expended \$197.0 million. During the three- and six-month periods ended June 30, 2022, the GTAA expended \$0.4 million and \$0.5 million, respectively.

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 June 30, 2022, the GTAA has expended \$2.4 million. During the three- and six-month periods ended June 30, 2022, the GTAA expended \$0.6 million and \$1.0 million, respectively.

Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance – In the fall of 2019, the GTAA and CBSA undertook a comprehensive passenger-centric project called “Reimagining Arrivals” to review different approaches and technology for the CBSA border clearance processes. At that time, both organizations agreed on the critical need for a path forward to transform the arriving and connecting CBSA border clearance process in the 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 thus maximizing passenger flow. From the inception of the Border Modernization project to June 30, 2022, the GTAA has expended \$6.6 million. During the three- and six-month periods ended June 30, 2022, the GTAA expended \$1.9 million and \$2.5 million, respectively.

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 of the T-SPIL project in 2021 to June 30, 2022, the GTAA has expended \$2.6 million. During the three- and six-month periods ended June 30, 2022, the GTAA expended \$0.2 million and \$0.5 million, respectively.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at June 30, 2022 as compared to December 31, 2021, are set out in the following table.

<i>(\$ millions)</i>	June 30, 2022	December 31, 2021	Change 2022 – 2021
Total assets	6,311.4	6,615.8	(304.4)
Total liabilities	7,243.9	7,562.4	(318.5)
Deficit and accumulated other comprehensive loss	(932.5)	(946.6)	14.1

At June 30, 2022, when compared to December 31, 2021, the GTAA's total assets decreased by \$304.4 million primarily due to decreases of \$198.2 million in cash, \$96.0 million in property and equipment (net book value) and \$13.7 million in accounts receivable. The GTAA's total liabilities decreased by \$318.5 million primarily due to the repayment of \$388 million Series 2012-1 MTNs and a decrease of \$15.7 million in security deposits and deferred revenue, offset by the \$79.9 million issuance of Commercial Paper ("CP"). Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of \$932.5 million as at June 30, 2022, as reported on the condensed consolidated statements of financial position, has slightly decreased due to the improvements of 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:

	For the periods ended June 30					
	Three months			Six months		
(\$ millions)	2022	2021	Change	2022	2021	Change
Cash flows from operating activities	227.2	24.2	203.0	344.7	88.9	255.8
Capital expenditures ¹ - property and equipment	(26.2)	(21.3)	(4.9)	(61.2)	(75.7)	14.5
Capital expenditures ¹ - investment property	(1.2)	—	(1.2)	(2.9)	—	(2.9)
Interest paid and other financing costs, net ²	(122.7)	(114.3)	(8.4)	(170.0)	(162.2)	(7.8)
Free Cash Flow³	77.1	(111.4)	188.5	110.6	(149.0)	259.6
Decrease (Increase) in restricted funds	47.9	31.0	16.9	(0.6)	(6.3)	5.7
(Repayments) Borrowings, net	(308.1)	94.9	(403.0)	(308.1)	179.8	(487.9)
Net Cash Inflow/(Outflow)	(183.1)	14.5	(197.6)	(198.1)	24.5	(222.6)
				As at June 30		
				2022	2021	Change
Total Debt				6,902.4	7,182.6	(280.2)
Cash				(60.0)	(127.6)	67.6
Restricted funds				(423.3)	(424.2)	0.9
Net Debt⁴				6,419.1	6,630.8	(211.7)
Key Credit Metrics (\$)						
Total Debt/Enplaned Passenger ⁵				549	2,720	(79.8) %
Net Debt ⁴ /Enplaned Passenger ⁵				511	2,511	(79.6) %

(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 June 30, 2022.

(2) Interest and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, and 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 during the three- and six-month periods ended June 30, 2022 increased by \$203.0 million to \$227.2 million and increased \$255.8 million to \$344.7 million, respectively, when compared to the same periods in 2021, primarily due to the significant increase in revenues over the increase in costs. Free cash flow during the three- and six-month periods ended June 30, 2022 increased by \$188.5 million to \$77.1 million and by \$259.6 million to \$110.6 million, respectively, when compared to the same periods in 2021, primarily driven by the significant increase in cash flows from operations due to the reasons mentioned above. Free cash flow is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" for additional information. Net cash flows during the three- and six-month periods ended June 30, 2022 decreased by \$197.6 million to a net cash outflow of \$183.1 million and decreased \$222.6 million to a net cash outflow of \$198.1 million, respectively, when compared to the same periods in 2021, due to the repayment of \$388 million Series 2012-1 MTNs partially offset by the \$79.9 million issuance of CP and the free cash flow generated during the periods.

Gross Debt decreased by \$280.2 million to \$6.9 billion as at June 30, 2022 when compared to June 30, 2021 due to the repayment of series 2012-1 MTNs. Net Debt decreased by \$211.7 million to \$6.4 billion as at June 30, 2022 when compared to June 30, 2021 due to a decrease in gross debt offset by a decrease in cash and restricted funds. Net Debt is

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

Based on the prior 12 months passenger activity, the GTAA’s total debt per enplaned passenger, one of the airport industry’s key ratings or financial metrics, declined from \$2,720 as at June 30, 2021 to \$549 as at June 30, 2022 due to a reduction in gross debt and significantly higher passenger volumes; and net debt per enplaned passenger declined from 2,511 as at June 30, 2021 to \$511 as at June 30, 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 GTAA has taken steps to ensure adequate liquidity which include extending the commitments available under its revolving credit facility to 2025 to provide additional flexibility, and reducing and/or deferring operational and capital expenditures. The GTAA’s net liquidity position (including cash) as at June 30, 2022 was approximately \$1.4 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. 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. Credit 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 assessment of the credit quality of the GTAA’s debt. These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating. 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 current credit ratings.

On May 21, 2022, the GTAA exercised its right to redeem all \$388.0 million of the outstanding Series 2012-1 MTNs at par on June 21, 2022 (the “redemption date”). The Series 2012-1 MTNs had an original maturity date of September 21, 2022. To refinance the redemption of the Series 2012-1 MTNs, the GTAA issued on June 21, 2022 \$79.9 million of CP and the balance was repaid with cash on hand.

As at June 30, 2022, the GTAA had borrowing capacity under its Operating Credit Facility available of \$1.3 billion (net of \$79.9 million outstanding CP backstopped by this facility), available capacity under its Letter of Credit Facility of \$59.9 million and unrestricted cash of \$60.0 million, for an aggregate of \$1.4 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.

		June 30, 2022			December 31, 2021	
Liquidity and Credit Facilities (\$ millions)						
Source	Currency	Expiry	Size	Drawn / CP Backstop	Available	Available
Cash and cash equivalents	CAD				60.0	258.2
Credit facilities:						
1) Operating Credit Facility ^{1,2}	CAD	May 31, 2025	1,400.0	—	1,400.0	1,400.0
Commercial paper backstop ²				79.9	(79.9)	
Available for general use					1,320.1	1,400.0
2) Letter of Credit Facility	CAD	May 31, 2023	150.0	90.1	59.9	67.7
			1,550.0	170.0	1,380.0	1,467.7
Total net liquidity (including cash)					1,440.0	1,725.9
3) Hedge Facility ³	CAD	Per contract	150.0	—	150.0	150.0
Total credit facilities and cash			1,700.0	170.0	1,590.0	1,875.9

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

² At June 30, 2022, \$79.9 million 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 June 30, 2022, \$79.9 million 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 June 30, 2022, the GTAA had a working capital deficiency of \$161.8 million, computed by subtracting current liabilities from current assets. This was primarily due to \$196.5 million of accounts payable and accrued liabilities. 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 \$1.4 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 June 30, 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 <i>(\$ millions)</i>	Payments Due by Period				
	Total	Less than 1 year	1 year to 3 years	4 years to 5 years	Thereafter
Accounts payable and accrued liabilities	196.5	196.5	—	—	—
Purchase obligations ¹	670.5	307.1	244.7	70.2	48.5
Commercial paper	79.9	79.9	—	—	—
Long-term debt principal	6,798.1	22.0	48.4	54.8	6,672.9
Interest payable on long-term debt	4,125.6	323.3	642.0	635.4	2,524.9
	11,870.6	928.8	935.1	760.4	9,246.3

¹ Purchase obligations include commitments for goods and services contracts as at June 30, 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 \$169.6 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 June 30, 2022 of approximately \$169.6 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 and operating cash flows.

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

The GTAA typically sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. 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 declines 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 operating earnings before interest and financing costs and amortization and comprehensive income adjustments, 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 June 30, 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) 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.

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.

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 June 30, 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 June 30, 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 June 30, 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 June 30, 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**

June 30, 2022



Greater Toronto Airports Authority

Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of Canadian dollars)	June 30 2022	December 31 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	60,043	258,194
Restricted funds	82,200	83,223
Accounts receivable	85,491	99,202
Inventory	14,422	14,334
Prepays	11,975	5,904
	254,131	460,857
Non-current assets		
Restricted funds	341,096	339,424
Intangibles and other assets	147,977	153,553
Property and equipment (Note 4)	5,030,749	5,126,776
Investment property	466,099	469,475
Post-employment benefit asset	71,330	65,734
	6,311,382	6,615,819
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	196,492	187,427
Security deposits and deferred revenue	56,532	72,248
Long-term debt and commercial paper (Note 5)	162,903	478,896
	415,927	738,571
Non-current liabilities		
Deferred credit	7,891	8,992
Post-employment benefit liabilities	10,496	10,163
Long-term debt and credit facilities (Note 5)	6,739,457	6,734,771
Deferred ground rent payable	63,738	63,507
Other liabilities	6,390	6,390
	7,243,899	7,562,394
Deficit and Accumulated Other Comprehensive Loss	(932,517)	(946,575)
	6,311,382	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 Income (Loss)

	Three Months Ended June 30		Six Months Ended June 30	
(unaudited) (in thousands of Canadian dollars)	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues				
Landing fees	92,818	52,049	168,703	103,722
General terminal charges	51,567	25,567	90,972	51,401
Airport improvement fees	107,282	14,256	166,439	24,359
Car parking and ground transportation	44,565	9,896	72,479	21,206
Concessions	27,057	17,560	51,992	35,914
Rentals	37,683	27,991	73,772	55,426
Other	22,775	6,887	42,075	14,286
	383,747	154,206	666,432	306,314
Operating Expenses				
Ground rent	42,280	11,073	73,153	22,737
Goods and services	74,315	55,249	156,036	117,189
Salary, wages and benefits	47,260	31,906	93,322	65,413
Payments-in-lieu of real property taxes	3,052	10,579	6,104	21,158
Amortization of property and equipment	73,800	72,709	145,748	146,050
Amortization of intangibles	5,426	3,622	13,123	7,353
Amortization of investment property	3,160	5,820	6,284	8,469
	249,293	190,958	493,770	388,369
Earnings (Loss) before interest and financing costs, net	134,454	(36,752)	172,662	(82,055)
Interest income	2,219	1,142	3,569	2,604
Interest expense on debt instruments and other financing costs	(85,131)	(82,513)	(169,316)	(165,688)
Interest and financing costs, net (Note 5)	(82,912)	(81,371)	(165,747)	(163,084)
Net Income (Loss)	51,542	(118,123)	6,915	(245,139)
Items that will be reclassified subsequently to Net Income (Loss):				
Amortization of terminated hedges and interest rate swap	348	349	697	697
Items that will not be reclassified subsequently to Net Income (Loss):				
Pension and non-pension remeasurements, net	1,216	6,720	6,446	22,699
Other Comprehensive Income	1,564	7,069	7,143	23,396
Total Comprehensive Income (Loss)	53,106	(111,054)	14,058	(221,743)

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

Greater Toronto Airports Authority

Condensed Consolidated Statements of Changes in Deficit and Accumulated Other Comprehensive Loss

For six months ended June 30, 2022 (unaudited) (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Loss	Total
	\$	\$	\$
Balance, January 1, 2022	(929,073)	(17,502)	(946,575)
Net Income	6,915	—	6,915
Amortization of terminated hedges and interest rate swap	—	697	697
Pension and non-pension remeasurements, net	6,446	—	6,446
Total Comprehensive Income for the period	13,361	697	14,058
Balance, June 30, 2022	(915,712)	(16,805)	(932,517)

For six months ended June 30, 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	(245,139)	—	(245,139)
Amortization of terminated hedges and interest rate swap	—	697	697
Pension and non-pension remeasurements, net	22,699	—	22,699
Total Comprehensive (Loss) Income for the period	(222,440)	697	(221,743)
Balance, June 30, 2021	(806,281)	(18,199)	(824,480)

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

Greater Toronto Airports Authority

Condensed Consolidated Statements of Cash Flows

For six months ended June 30

(unaudited) (in thousands of Canadian dollars)

	2022	2021
Cash Flows from (used in) Operating Activities	\$	\$
Net Income (Loss)	6,915	(245,139)
Adjustments for:		
Amortization of property and equipment	145,748	146,050
Amortization of intangibles and other assets	15,672	9,901
Amortization of investment property	6,284	8,469
Post-employment benefit plans	1,183	(265)
Interest and financing costs, net	165,747	163,084
Amortization of deferred credit	(1,101)	(1,101)
Changes in working capital and other:		
Accounts receivable	13,711	(1,690)
Prepays	(6,071)	(1,672)
Ground rent receivable	—	14,664
Inventory	(88)	(771)
Accounts payable and accrued liabilities	12,225	(18,221)
Security deposits and deferred revenue	(15,716)	(5,220)
Ground rent deferred payable	231	22,203
Other liabilities	—	(1,400)
	344,740	88,892
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	(61,228)	(75,709)
Acquisition and construction of investment property	(2,882)	—
Increase in restricted funds	(649)	(6,327)
	(64,759)	(82,036)
Cash Flows from (used in) Financing Activities		
Repayment of medium-term notes and long-term debt	(388,000)	—
Issuance of commercial paper	79,881	179,839
Interest paid and other financing costs, net	(170,013)	(162,245)
	(478,132)	17,594
Net Cash (Outflow) Inflow	(198,151)	24,450
Cash and cash equivalents, beginning of period	258,194	103,173
Cash and cash equivalents, end of period	60,043	127,623

As at June 30, 2022, cash and cash equivalents consisted of cash of \$60.0 million (December 31, 2021 – \$87.2 million) and cash equivalents of \$nil (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 six months ended June 30, 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 August 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:

June 30, 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	132	—	—	—	—	49,510	49,642
Disposals	(21,406)	—	—	—	(309)	—	(21,715)
Transfers	13,925	1,040	—	20,978	7,891	(43,834)	—
Balance, end of period	7,097,696	457,166	9,480	618,732	743,497	253,575	9,180,146
Accumulated amortization							
Balance, beginning of year	3,060,447	249,992	3,958	275,377	435,669	—	4,025,443
Amortization expense	100,195	7,754	79	11,262	26,458	—	145,748
Disposals	(21,449)	—	—	—	(345)	—	(21,794)
Balance, end of period	3,139,193	257,746	4,037	286,639	461,782	—	4,149,397
Net book value, end of period	3,958,503	199,420	5,443	332,093	281,715	253,575	5,030,749

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 June 30, 2022, \$253.6 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 \$10.0 million (December 31, 2021 – \$9.0 million) of capitalized interest. During the six months ended June 30, 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 June 30, 2021 – 4.6 per cent).

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

As at June 30, long-term debt and commercial paper (“CP”), net of unamortized discounts and premiums and accrued interest, consisted of:

Series	Coupon Rate	Maturity Date	Principal Amount	June 30 2022	December 31 2021
Revenue Bonds			\$	\$	\$
1997-3	6.45%	December 3, 2027	321,500	321,085	321,033
1999-1	6.45%	July 30, 2029	221,536	226,717	226,687
Medium-Term Notes					
2000-1	7.05%	June 12, 2030	526,550	527,349	527,467
2001-1	7.10%	June 4, 2031	492,150	491,770	491,813
2002-3	6.98%	October 15, 2032	468,960	475,392	475,531
2004-1	6.47%	February 2, 2034	567,428	578,117	578,162
2010-1	5.63%	June 7, 2040	400,000	399,004	399,066
2011-1	5.30%	February 25, 2041	600,000	607,673	607,765
2011-2	4.53%	December 2, 2041	400,000	398,792	398,832
2012-1	3.04%	September 21, 2022	388,000	—	391,070
2018-1	3.26%	June 1, 2037	500,000	498,174	498,167
2019-1	2.73%	April 3, 2029	500,000	501,174	501,096
2019-2	2.75%	October 17, 2039	900,000	898,676	898,646
2020-1	1.54%	May 3, 2028	500,000	498,851	498,695
2021-1	3.15%	October 5, 2051	400,000	399,669	399,637
				6,822,443	7,213,667
Commercial paper borrowings			79,881	79,917	—
				6,902,360	7,213,667
Less: Current portion (including accrued interest)				(162,903)	(478,896)
				6,739,457	6,734,771

As at June 30, 2022, accrued interest included in the current portion of the long-term debt was \$61.0 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.

On May 21, 2022, the GTAA exercised its right to redeem all \$388.0 million of the outstanding Series 2012-1 Medium-Term Notes (“MTNs”) at par on June 21, 2022. The Series 2012-1 MTNs had an original maturity date of September 21, 2022. To refinance the redemption of the Series 2012-1 MTNs, the GTAA issued on June 21, 2022 \$79.9 million of CP and the balance was repaid with cash on hand.

As at June 30, interest and financing costs, net, consisted of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest income	2,219	1,142	3,569	2,604
Interest expense on debt instruments	(84,288)	(81,741)	(167,662)	(162,400)
Capitalized interest	867	637	1,776	1,546
Amortization of terminated hedges and interest rate swap	(348)	(349)	(697)	(697)
MTI amendment fees	—	(19)	—	(1,902)
Other financing fees	(1,362)	(1,041)	(2,733)	(2,235)
	(85,131)	(82,513)	(169,316)	(165,688)
Interest and financing costs, net	(82,912)	(81,371)	(165,747)	(163,084)

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

	June 30, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	\$	\$	\$	\$
Long-term debt	6,822,443	6,716,360	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 June 30, 2022, \$79.9 million of 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 June 30, 2022, the GTAA had borrowing capacity under its Operating Credit Facility available of \$1.3 billion (net of \$79.9 million outstanding CP backstopped by this facility), available capacity under its Letter of Credit Facility of \$59.9 million and unrestricted cash of \$60.0 million, for an aggregate of \$1.4 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 June 30, 2022, of approximately \$169.6 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

Management continues to analyze the extent of the financial impact of the COVID-19 pandemic, which has diminished. 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.