Greater Toronto Airports Authority

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

September 30, 2023

Public

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

September 30, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

Dated November 9, 2023

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 nine-months ended September 30, 2023 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, 2022 and 2021, and the Annual Information Form for the year ended December 31, 2022. 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.sedarplus.ca. 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 corporation without share capital under the *Canada Not-for-profit Corporations Act* and a designated airport authority under the *Airport Transfer (Miscellaneous Matters) Act*. The GTAA manages and operates Toronto – Lester B. Pearson International Airport (the “Airport” or “Toronto Pearson”) under a ground lease with the Government of Canada, dated December 2, 1996 (the “Ground Lease”). The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years at the option of the GTAA. The Ground Lease is available on SEDAR at www.sedarplus.ca and on the GTAA’s website at www.torontopearson.com. The GTAA’s wholly-owned subsidiary, Malton Gateway Inc. (“MGI”), a holding company, was incorporated in April 2017 and holds the shares of Airway Centre Inc. ("ACI"), which was also incorporated in April 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation or maintenance of the Airport. The properties acquired by ACI do not form part of the premises leased to the GTAA by the Government of Canada under the Ground Lease.

SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

($ millions)	Three months 2023	Three months 2022	Change[1]	%	Nine months 2023	Nine months 2022	Change[1]	%
Total Revenues	**504.5**	421.9	82.6	19.6	**1,393.9**	1,088.4	305.5	28.1
Total operating expenses (excluding impairment of investment property and amortization)	**224.9**	194.1	30.8	15.9	**663.9**	522.8	141.1	27.0
EBITDA [2, 3]	**279.6**	227.8	51.8	22.7	**730.0**	565.6	164.4	29.1
EBITDA Margin [2, 3]	**55.4 %**	54.0 %		1.4 pp	**52.4 %**	52.0 %		0.4 pp
Earnings Before Interest, Net [4]	**170.1**	153.8	16.3	10.6	**447.4**	326.5	120.9	37.0
Net Income	**99.7**	73.7	26.0	35.4	**229.7**	80.6	149.1	185.0
See "Results of Operations" for details								
See "Net Operating Results" for reconciliation from net income to EBITDA								
Free Cash Flow [5] *($ millions)*	**207.5**	177.4	30.1	17.0	**476.4**	288.0	188.4	65.4
See "Liquidity and Capital Resources" section for details								
Passenger Activity *(millions)*								
Domestic	**4.9**	4.7	0.2	4.9	**12.6**	10.6	2.0	18.1
International	**7.6**	6.5	1.1	17.1	**21.2**	15.1	6.1	41.1
Total	**12.5**	11.2	1.3	11.9	**33.8**	25.7	8.1	31.6
Flight Activity								
Aircraft movements *(thousands)*	**100.1**	96.8	3.3	3.4	**283.2**	247.5	35.7	14.4
MTOW [6] *(million tonnes)*	**9.2**	8.6	0.6	6.8	**25.7**	22.1	3.6	16.1
Seats *(millions)*	**14.3**	13.3	1.0	7.5	**39.7**	32.7	7.0	21.3
Load factor	**87.3 %**	84.0 %		3.3 pp	**85.1 %**	78.5 %		6.6 pp
See "Operating Activity" for details								

For the periods ended September 30

	As at September 30 2023	2022	Change[1]	%
Total Debt *($ millions)*	**6,989.3**	6,841.0	148.3	2.2
Net Debt [7]	**5,861.1**	6,282.3	(421.2)	(6.7)
Key Credit Metrics *($)*				
Total Debt / Enplaned Passenger [8]	**320**	434	(114)	(26.3)
Net Debt [7] / Enplaned Passenger [8]	**268**	398	(130)	(32.7)
See "Liquidity and Capital Resources" for details				

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

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

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

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

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

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 defined as gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

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

OVERVIEW

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

Operational and Financial Performance Summary

During the three- and nine-months ended September 30, 2023, Toronto Pearson:

- Processed 12.5 million passengers, an increase of 1.3 million or 11.9 per cent and 33.8 million passengers, an increase of 8.1 million or 31.6 per cent, respectively, when compared to the same periods of 2022, due to:
  - strong travel demand;
  - the travel industry's ability to deliver more consistent levels of service; and
  - the removal of pandemic-related government travel restrictions and the labour and supply challenges, that existed in the first nine months of 2022.
- However, most passenger and flight activity remains lower than pre-pandemic activity levels:
  - Passenger activity recovered to 88.0 per cent and 87.6 per cent relative to the same periods of 2019 passenger activity, respectively.
  - During the month of September 2023, passenger activity recovered to 91.4 per cent of September 2019 passenger activity.
  - Although flight activity continues to be lower than pre-pandemic levels, load factors recovered to 100.9 per cent and 100.5 per cent relative to the load factors in the same periods of 2019, respectively.

During the three- and nine-months ended September 30, 2023, when compared to the same periods of 2022, respectively, the GTAA earned and generated:

- Revenues of $504.5 million, an increase of $82.6 million or 19.6 per cent and $1.4 billion, an increase of $305.5 million or 28.1 per cent;
- EBITDA of $279.6 million, an increase of $51.8 million or 22.7 per cent and $730.0 million, an increase of $164.4 million or 29.1 per cent;[1]
- Net income of $99.7 million, an increase of $26.0 million and $229.7 million, an increase of $149.1 million; and
- Free cash flow of $207.5 million, an increase of $30.1 million and $476.4 million, an increase of $188.4 million;[2]

primarily due to the increased passenger and flight activity and partially due to certain higher aeronautical and AIF rates.

Corporate Strategy

The GTAA launched a new 10-year Strategic Plan in 2023. The GTAA's vision is "Putting the joy back into travel by making Toronto Pearson the chosen place to fly and work". This vision is supported by a framework developed to prioritize capital investments and enable a strategic focus on solving key business issues while building system resiliency. This plan includes a series of time horizons that give the GTAA the flexibility to pivot and be agile, while ensuring that it is also evolving over the long term to facilitate the growth it expects to serve over the next decade.

The GTAA's mission is to:

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

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

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

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

- Customer Experience - make air travel as seamless as possible by connecting passengers, airlines, and key ecosystem partners through innovative tools, such as streamlined processing, digital trip planning and predictable wait times to become a global leader in passenger care;
- Operational Efficiency - grow to a new airport-wide culture of responsibility and accountability through the "Pearson Standard" program and policies, build smart and continuously improve processes, while transitioning to more sustainable energy sources;
- Innovation - champion an impactful innovation culture that encourages continuous modernization and rewards experimentation that will create an ecosystem of innovation partners to cultivate and accelerate initiatives that will make Toronto Pearson – and the broader aviation sector – faster, better and stronger; and
- Culture / Employee Experience - need for organizational readiness, preparedness for transformation and to support the strategic outcomes of the other pillars with ready now, engaged and diverse talent.

As part of its long-term strategy, the GTAA is working with its partners to plan now for smart growth, flexibility, and investment in the future to improve passenger flow and thus experience. The Company's new Transformative Capital Plan ("TCP") is focusing on revitalizing Airport facilities, building for recovery, expanding Airport and passenger capacity, and delivering new technologies to improve the travel experience. In particular, with the first year of the strategic plan underway, the GTAA is collaborating with its partners to improve operational efficiency, stability and resiliency across the entire ecosystem at Toronto Pearson. For further details on the GTAA's TCP, refer to the 'Capital Plan, Programs and Projects' section of this MD&A.

Executive Announcements

Brian Tossan, former Director of Global Innovation at General Motors, joined the GTAA on August 21, 2023 as the new Chief Technology Officer.

Craig Bradbrook, Chief Operating Officer, will retire in January 2024 and will offer support in an advisory role until April 2024. The GTAA will undertake a recruitment process for a new Operations leader in early 2024. In the interim, Khalil Lamrabet, Chief Commercial Officer, will step in to help lead the Operations unit. Mr. Lamrabet has aviation experience at large international airports that have gone through transformation, including directing short- and long-term airport fiscal and physical planning.

OPERATING ACTIVITY

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

Passenger Activity

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

During the third quarter of 2023, 12.5 million passengers traveled through the Airport, a significant increase of 1.3 million or 11.9 per cent, when compared to the third quarter of 2022. The largest growth was in the international sector with an increase of 1.1 million or 17.1 per cent, whereas the domestic sector recorded an increase in passenger traffic of 0.2 million or 4.9 per cent. Passenger activity increased given the strong travel demand and the travel industry partners' ability to deliver more consistent levels of service following the pandemic-related labour and supply challenges and the removal of government travel restrictions that existed during the third quarter of 2022.

During the first nine months of 2023, 33.8 million passengers traveled through the Airport, a significant increase of 8.1 million or 31.6 per cent, when compared to the first nine months of 2022. The largest growth was in the international sector with an increase of 6.1 million or 41.1 per cent, whereas the domestic sector recorded an increase in passenger traffic of 2.0 million or 18.1 per cent. Passenger activity increased given the strong travel demand and the travel industry partner's ability in delivering more consistent levels of services following the pandemic-related labour and supply challenges and the removal of government travel restrictions that existed during the first nine months of 2022.

During the third quarter and first nine months of 2023, passenger activity recovered to 88.0 per cent and 87.6 per cent relative to the same periods of 2019 passenger activity, respectively. During the month of September 2023, passenger activity recovered to 91.4 per cent of September 2019 passenger activity.

The following table summarizes passenger activity by sector for the three- and nine-month periods ended September 30, 2023 and 2022:

	For the periods ended September 30							
	Three months				Nine months			
Passenger Activity [2]	**2023**	2022	Change [1]		**2023**	2022	Change [1]	
(in millions)				**%**				%
Domestic	**4.9**	4.7	0.2	4.9	**12.6**	10.6	2.0	18.1
International	**7.6**	6.5	1.1	17.1	**21.2**	15.1	6.1	41.1
Total	**12.5**	11.2	1.3	11.9	**33.8**	25.7	8.1	31.6
(in millions)								
Origin and destination	**9.5**	8.3	1.2	14.9	**25.6**	18.9	6.7	35.3
Connecting	**3.0**	2.9	0.1	3.5	**8.2**	6.8	1.4	21.1
Total	**12.5**	11.2	1.3	11.9	**33.8**	25.7	8.1	31.6
Origin and destination [1]	**76.0 %**	71.9 %		4.1 pp	**75.7 %**	72.2 %		3.5 pp
Connecting [1]	**24.0 %**	28.1 %		(4.1)pp	**24.3 %**	27.8 %		(3.5)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 These calculations are estimates and are based on airline reporting, and therefore may vary from actual numbers.

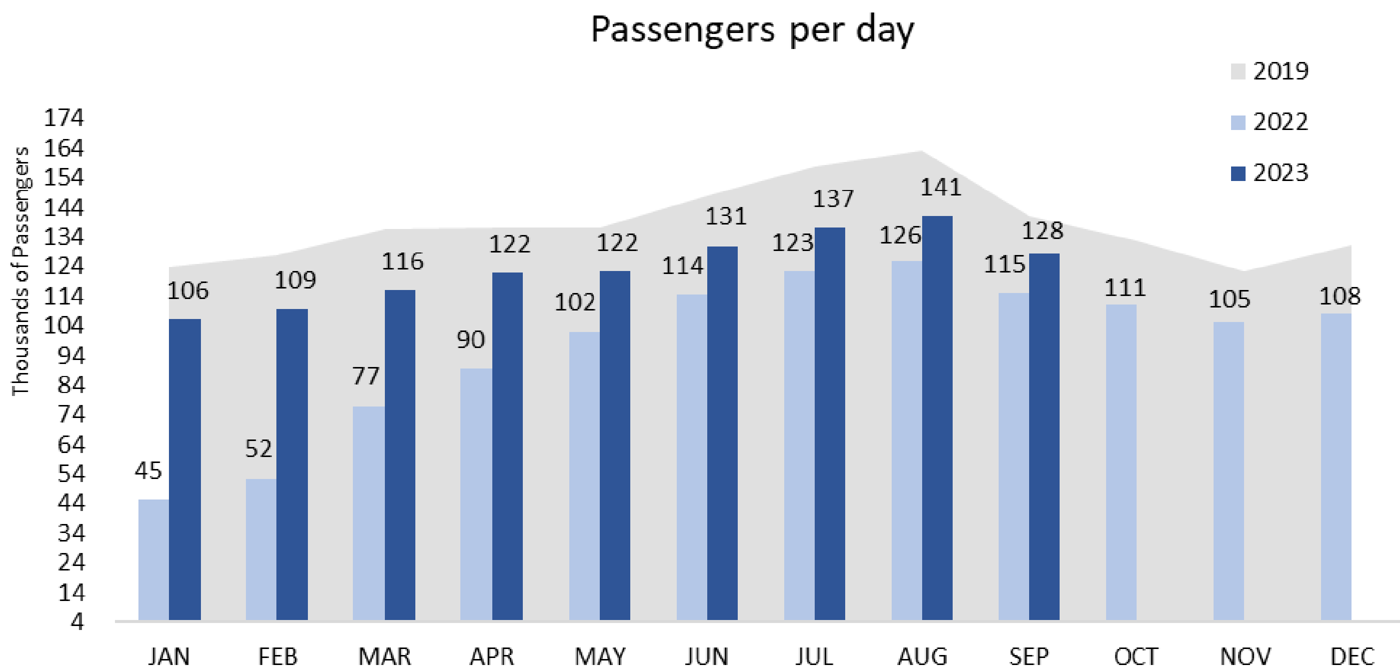
Passengers are further segmented into two principal types of passengers: origin and destination passengers, and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, which measure reflects the economic health of a region, while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

During the three- and nine-months ended September 30, 2023, the number of origin and destination passengers increased 14.9 per cent to 9.5 million and 35.3 per cent to 25.6 million passengers, while the number of connecting passengers increased 3.5 per cent to 3.0 million and 21.1 per cent to 8.2 million passengers, respectively, when compared to the same periods of 2022.

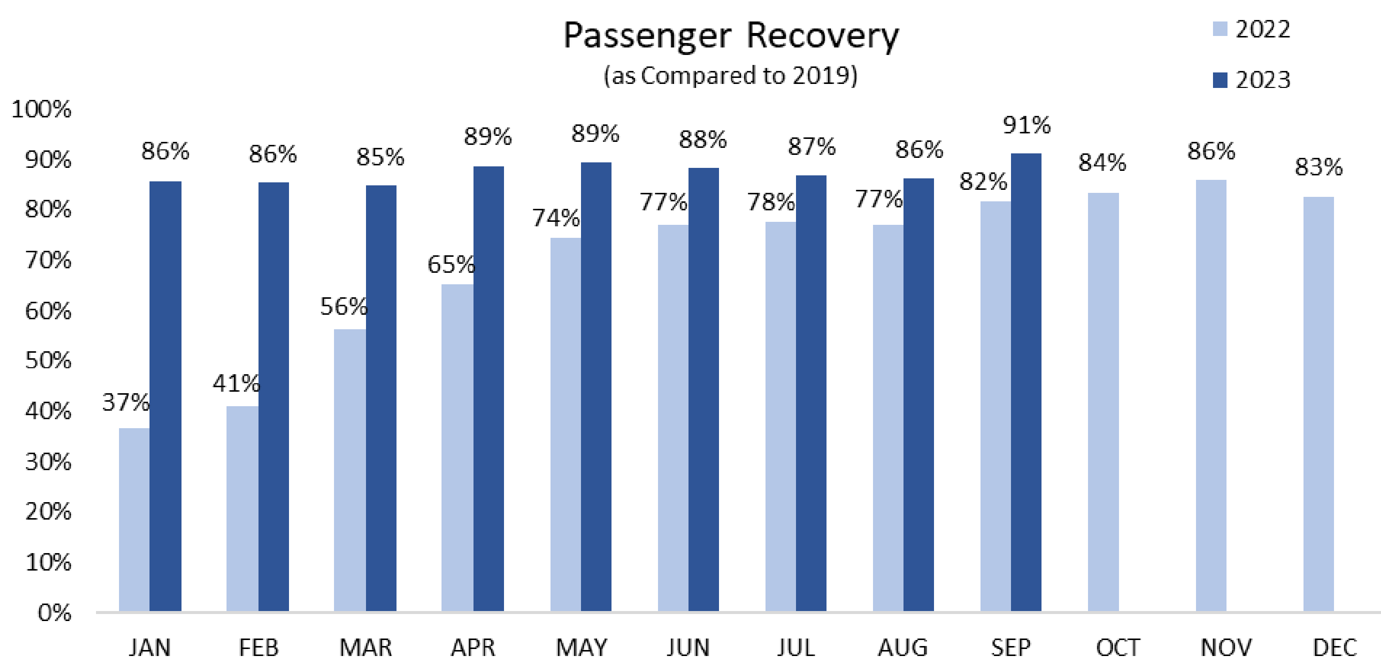
During the three- and nine-months ended September 30, 2023, the proportion of origin and destination passengers increased 4.1 percentage points to 76.0 per cent and 3.5 percentage points to 75.7 per cent, while connecting passengers decreased 4.1 percentage points to 24.0 per cent and 3.5 percentage points to 24.3 per cent, respectively, compared to the same periods of 2022.

During the first nine months of 2023, the average number of airlines operating at Toronto Pearson remained flat at 57, when compared to the same period of 2022.

The following table outlines the average daily number of passengers per month that traveled through Toronto Pearson from January 2023 to September 2023, when compared to January 2022 to September 2022 and 2019 (pre-COVID-19). In this respect, Toronto Pearson has processed on average 31.6 per cent more daily passengers during the January 2023 to September 2023 time period when compared to the January 2022 to September 2022 time period.



The following table outlines the average percentage of passengers per month that traveled through Toronto Pearson from January 2023 to September 2023 and from January 2022 to December 2022, when compared to 2019 (pre-COVID-19).



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 nine-month periods ended September 30, 2023 and 2022.

	For the periods ended September 30							
	Three months				Nine months			
Flight Activity [1]	**2023**	2022	Change [2]	%	**2023**	2022	Change [2]	%
(in thousands)								
Aircraft movements [3]	**100.1**	96.8	3.3	3.4	**283.2**	247.5	35.7	14.4
Passenger aircraft movements	**89.8**	85.8	4.0	4.7	**252.0**	214.4	37.6	17.6
Non-passenger aircraft movements	**10.3**	11.0	(0.7)	(6.4)	**31.2**	33.1	(1.9)	(5.7)
(in millions)								
MTOW (tonnes)	**9.2**	8.6	0.6	6.8	**25.7**	22.1	3.6	16.1
Seats	**14.3**	13.3	1.0	7.5	**39.7**	32.7	7.0	21.3
Seats per passenger aircraft movement	**159.1**	154.9	4.2	2.7	**157.6**	152.7	4.9	3.2
Load factor	**87.3 %**	84.0 %		3.3 pp	**85.1 %**	78.5 %		6.6 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.

During three- and nine-months ended September 30, 2023, when compared to the same periods of 2022, respectively;

- aircraft movements, which include both passenger and non-passenger aircraft movements, increased 3.4 per cent and 14.4 per cent;
- passenger aircraft movements increased 4.7 per cent and 17.6 per cent;
- non-passenger aircraft movements decreased 6.4 per cent and 5.7 per cent primarily as a result of reduced cargo activity; and
- MTOW increased 6.8 per cent to 9.2 million tonnes and 16.1 per cent to 25.7 million tonnes.

The increases were due to several factors, including strong travel demand and the travel industry partners' ability to deliver more consistent levels of services following the pandemic-related labour and supply challenges and government travel restrictions in place during the first nine months of 2022, whereas these travel restrictions were not in place during the first nine months of 2023.

During three- and nine-months ended September 30, 2023, when compared to the same periods of 2022, respectively;

- seats increased by 7.5 per cent to 14.3 million and 21.3 per cent to 39.7 million;
- the number of seats per passenger aircraft movement increased by 2.7 per cent to 159.1 seats and 3.2 per cent to 157.6 seats, due to several factors including the recovery of international travel and the change in carrier and fleet mix; and
- load factors increased 3.3 percentage points and 6.6 percentage points, due to the return to normal airline operating conditions in the first nine months of 2023.

During the third quarter and first nine months of 2023, load factors recovered to 100.9 per cent and 100.5 per cent relative to the load factors in the same periods of 2019, respectively.

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

During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with Air Canada and WestJet in part to adjust the fees paid under the agreements to reflect the reduced flight activity experienced during the COVID-19 pandemic. Under the amended agreements, each carrier is required to pay amounts calculated on the basis of: (i) the GTAA's standard aeronautical fees plus a portion of the respective variance between the standard aeronautical fees amount and the original base fee payable under the agreements or (ii) the original base fee. It is expected that based on current and projected volumes, each of the carriers will pay the original base fee in 2023. 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. The long-term aeronautical fees agreements with both carriers expire at the end of 2023.

Effective January 1, 2023, the following changes to aeronautical fees and charges and AIF were implemented:

- Aeronautical rates for commercial aviation, business and general aviation aircraft increased by 4 per cent;
- The AIF for departing passengers increased by $5 to $35 per passenger; and
- The AIF for connecting passengers increased by $1 to $7 per passenger.

The GTAA has announced to airline stakeholders the following changes to aeronautical rates, effective January 1, 2024:

- Aeronautical rates will increase on a blended basis by an average of 4 per cent;
- The apron fee has been modified to incent quicker turns which improves facility efficiency; and
- The AIF will not increase in 2024.

The GTAA's aeronautical fees and charges and the AIF are comparable with a number of large Canadian airports.

Management plans to apply these fees and charges to:

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

Revenues

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

Landing fees are based on the MTOW of arriving aircraft; general terminal charges are based on the number of seats of an arriving aircraft; and apron fees are based on the aircraft time spent at gate and utilization of gating equipment (i.e. gates, bridges, preconditioned air, etc). The AIF is charged on a per-enplaned passenger basis, with a different rate for originating and departing passengers as opposed to connecting passengers. A significant portion of commercial revenues is correlated with passenger activity.

The following table summarizes the GTAA's consolidated revenues for the three- and nine-month periods ended September 30, 2023 and 2022.

	For the periods ended September 30							
	Three months				Nine months			
Revenues	**2023**	2022	Change [1]		**2023**	2022	Change [1]	
($ millions)			$	%			$	%
Landing fees [2]	**105.8**	101.7	4.1	4.1	**308.3**	270.4	37.9	14.0
General terminal charges	**63.1**	58.6	4.5	7.7	**182.1**	149.6	32.5	21.8
Aeronautical Revenues	**168.9**	160.3	8.6	5.4	**490.4**	420.0	70.4	16.8
Concessions and rentals	**81.7**	71.6	10.1	14.0	**227.1**	197.4	29.7	15.0
Car parking and ground transportation	**64.4**	52.8	11.6	21.9	**175.5**	125.3	50.2	40.0
Other	**13.8**	9.8	4.0	40.9	**41.6**	51.9	(10.3)	(19.8)
Commercial Revenues	**159.9**	134.2	25.7	19.0	**444.2**	374.6	69.6	18.6
Airport Improvement Fees	**175.7**	127.4	48.3	37.9	**459.3**	293.8	165.5	56.3
Total Revenues	**504.5**	421.9	82.6	19.6	**1,393.9**	1,088.4	305.5	28.1

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

Aeronautical revenues increased 5.4 per cent to $168.9 million and 16.8 per cent to $490.4 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, primarily due to the significant growth in flight activity and, to a lesser extent, the four per cent rate increase implemented on January 1, 2023.

Consolidated concession and rental revenues increased 14.0 per cent to $81.7 million and 15.0 per cent to $227.1 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. This increase was mainly due to the significant growth in operating activity and new concession openings. The GTAA's concession revenues, which includes revenues from retail tenants, advertising and sponsorship partners at the Airport, increased 18.1 per cent to $38.3 million and 23.8 per cent to $104.5 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. Rental revenues increased 10.6 per cent to $43.4 million and 8.5 per cent to $122.6 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. Excluding ACI revenues, rental revenues increased 10.4 per cent to $34.9 million and 11.2 per cent to $97.0 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022.

During the 12-month period prior to the end of September 30, 2023, retail store sales per enplaned passenger ("SPE") at Toronto Pearson were $30.43 versus $27.58 in the same period of 2022, a $2.85 or 10.3 per cent increase. The increase was primarily due to the growth in the food and beverage, travel essentials and foreign currency exchange businesses. Retail store sales are the gross sales generated and earned by the GTAA's commercial tenants (including retail, food and beverage, lounges and services). These tenants, under their leasehold agreements with the GTAA, pay either a Minimum Annual Guarantee ("MAG") or a percentage of gross sales to the GTAA as rent, whichever is higher.

Car parking and ground transportation revenues increased 21.9 per cent to $64.4 million and 40.0 per cent to $175.5 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The increase was mainly due to operating activity growth and revenue management in the first nine months of 2023. Surface lot parking (i.e., uncovered parking which requires snow clearing), including the remaining rooftops, and Car Care (i.e. car cleaning and detailing services) reopened during the second quarter of 2022. In addition, ground transportation revenues increased due to newly negotiated agreements in the second half of 2022 with on-Airport car rental companies and higher prices associated with a shortage of vehicles for rent.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 40.9 per cent to $13.8 million and decreased 19.8 per cent to $41.6 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The changes in other revenues were primarily from the deicing operations. Deicing revenues increased 54.8 per cent to $11.3 million and decreased

22.5 per cent to $31.3 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022 mainly due to a rate reduction and adjustment during September 2022 to reflect the cost-recovery model.

AIF revenues increased 37.9 per cent to $175.7 million and 56.3 per cent to $459.3 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The increase was due to higher passenger volumes, an increase in mix of originating/departing passengers versus connecting in the third quarter and first nine months of 2023, and the fee increase implemented on January 1, 2023.

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 nine-month periods ended September 30, 2023 and 2022.

	For the periods ended September 30							
	Three months				**Nine months**			
Expenses	**2023**	2022	Change [1]		**2023**	2022	Change [1]	
($ millions)			$	%			$	%
Ground rent	**55.5**	48.7	6.8	13.8	**156.7**	121.9	34.8	28.5
PILT [2]	**2.9**	3.1	(0.2)	(4.7)	**8.7**	9.2	(0.5)	(4.7)
Total ground rent and PILT	**58.4**	51.8	6.6	12.7	**165.4**	131.1	34.3	26.2
Goods and services	**112.4**	91.2	21.2	23.2	**333.0**	247.3	85.7	34.7
Salaries, wages and benefits	**54.1**	51.1	3.0	6.0	**165.5**	144.4	21.1	14.6
Total Operating Expenses before Impairment of Investment Property and Amortization	**224.9**	194.1	30.8	15.9	**663.9**	522.8	141.1	27.0
Impairment of investment property	**17.9**	—	17.9	100.0	**17.9**	—	17.9	100.0
Amortization of property and equipment, investment property and intangible assets	**91.6**	74.0	17.6	23.8	**264.7**	239.1	25.6	10.7
Total Operating Expenses	**334.4**	268.1	66.3	24.7	**946.5**	761.9	184.6	24.2
Interest expense on debt instruments and other financing costs, net of interest income	**70.4**	80.1	(9.7)	(12.2)	**217.7**	245.9	(28.2)	(11.5)
Total Expenses	**404.8**	348.2	56.6	16.2	**1,164.2**	1,007.8	156.4	15.5

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

Ground rent payments to the Government of Canada are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at progressively increasing rates with a top rate of 12 per cent of Airport Revenues in excess of $250 million annually. Ground rent expense increased by 13.8 per cent to $55.5 million and 28.5 per cent to $156.7 million during three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, primarily due to the significant increase in revenues.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation under the *Assessment Act.* The annual PILT is based on actual passenger volumes from two years prior. Under an amendment in February 2022 to the applicable regulation, the previous maximum annual increase of 5.0 per cent under the regulation is temporarily suspended beginning in 2022, until Toronto Pearson's passenger volumes return to 2019 levels. The PILT expenditure decreased 4.7 per cent to $2.9 million and 4.7 per cent to $8.7 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, as it was based on 2021 passenger levels. ACI pays municipal real property taxes in the ordinary course of business as the investment properties acquired by ACI are not used directly for Airport operations.

During the third quarter of 2023, expenditures for goods and services increased 23.2 per cent or $21.2 million to $112.4 million, when compared to the same period of 2022. The increased costs were mainly due to higher AIF administration costs from increased passenger volumes, higher cleaning costs and information technology services, and costs related to software-as-a-service ("SaaS") based projects (Cloud Computing Arrangements – IAS 38, Intangible Assets).

During the first nine months of 2023, expenditures for goods and services increased 34.7 per cent or $85.7 million to $333.0 million, when compared to the same period of 2022. The increased costs were due to higher AIF administration costs from increased passenger volumes, higher baggage handling system costs, cleaning costs, professional and consulting services costs, general repairs and maintenance costs, information technology services, snow removal costs as a result of harsh winter weather conditions in the first quarter of 2023, and implementation costs related to SaaS based projects (Cloud Computing Arrangements – IAS 38, Intangible Assets), partially offset by lower energy costs.

Salaries, wages and benefits increased 6.0 per cent or $3.0 million to $54.1 million and 14.6 per cent or $21.1 million to $165.5 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The increases were primarily due to new employees hired since mid-2022 in Airport operations and maintenance teams to serve the increased passenger and flight activity at the Airport.

The impairment of investment property during three- and nine-months ended September 30, 2023 of $17.9 million was based on valuations of each of the individual properties made by an independent external appraiser, using recognized valuation techniques, comprising primarily of the discounted cash flow and direct capitalization methods. Based on these models, net carrying values of certain office buildings were determined to be impaired. As a result, the carrying values of these properties were reduced to their estimated fair values and an impairment loss of $17.9 million (September 30, 2022 - $nil) was recorded in the consolidated statements of operations and comprehensive income (loss).

Amortization of property and equipment, investment property and intangible assets increased 23.8 per cent to $91.6 million and 10.7 per cent to $264.7 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The increases were mainly due to the acceleration of amortization of certain assets during the first nine months of 2023.

Interest expense and other financing costs, net of interest income, decreased 12.2 per cent to $70.4 million and 11.5 per cent to $217.7 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The decreases were due to the increase in interest income associated with higher interest rates and unrestricted cash balances in the third quarter and first nine months of 2023, when compared to the same periods of 2022. In addition, the decrease for the first nine months of 2023 was also due to the incremental savings in interest costs from the early redemption of Series 2012–1 medium-term-notes ("MTNs") in June 2022.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the three- and nine-month periods ended September 30, 2023 and 2022.

Net Operating Results	For the periods ended September 30							
	Three months				Nine months			
	2023	2022	Change [1]		**2023**	2022	Change [1]	
($ millions)			$	%			$	%
Net Income	**99.7**	73.7	26.0	35.4	**229.7**	80.6	149.1	185.0
Add: Interest and financing costs, net	**70.4**	80.1	(9.7)	(12.2)	**217.7**	245.9	(28.2)	(11.5)
Earnings before interest and financing costs, net	**170.1**	153.8	16.3	10.6	**447.4**	326.5	120.9	37.0
Add: Impairment of investment property	**17.9**	—	17.9	100.0	**17.9**	—	17.9	100.0
Add: Amortization [2]	**91.6**	74.0	17.6	23.8	**264.7**	239.1	25.6	10.7
EBITDA [3]	**279.6**	227.8	51.8	22.7	**730.0**	565.6	164.4	29.1
EBITDA Margin	**55.4 %**	54.0 %		1.4 pp	**52.4 %**	52.0 %		0.4 pp

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

During the three- and nine-months ended September 30, 2023, the GTAA generated net income of $99.7 million and $229.7 million, respectively, an improvement in operating results of $26.0 million and $149.1 million, when compared to the same periods of 2022. The improvement in operating results was due to significantly higher revenues associated with the increase in operating activity, a decrease in interest expense, offset by a large increase in operating costs during the periods.

Earnings before interest and financing costs, and amortization ("EBITDA") increased 22.7 per cent to $279.6 million and 29.1 per cent to $730.0 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022. The increases in EBITDA were primarily due to the significant increase in revenues associated with higher operating activity, partially offset by the increase in operating costs (before impairment of investment property and amortization). EBITDA is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The EBITDA margin increased 1.4 percentage points to 55.4 per cent during the third quarter of 2023, when compared to the same period of 2022, due to the significant increase in revenues associated with higher operating activity, partially offset by the increase in operating costs (before impairment of investment property and amortization). The EBITDA margin slightly increased by 0.4 percentage points to 52.4 per cent during the first nine months of 2023, when compared to the same period of 2022, due to the significant increase in revenues associated with higher operating activity, mostly offset by the increase in operating costs (before impairment of investment property and amortization). EBITDA margin is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Summary of Quarterly Results

Select unaudited consolidated quarterly financial information for the eight quarters ended December 31, 2021 through September 30, 2023, is set out in the following table.

	Quarter Ended							
	2023			2022				2021
($ millions) [1]	**Sep**	Jun	Mar	Dec	Sep	Jun	Mar	Dec
Revenues	**505**	464	426	403	422	384	283	275
Operating expenses (excluding impairment of investment property and amortization) [2]	**225**	216	223	211	194	167	162	157
Impairment of investment property	**18**	—	—	23	—	—	—	—
Amortization [2]	**92**	94	79	101	74	82	83	81
Earnings before interest and financing costs, net	**170**	154	124	68	154	135	38	37
Interest and financing costs, net	**70**	73	75	77	80	83	83	84
Net Income (Loss)	**100**	81	49	(9)	74	52	(45)	(47)

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 of property and equipment, investment property and intangible assets.

The GTAA's quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors and given the material impact of the COVID-19 pandemic on the GTAA's business and results of operations, the historical quarterly results may not be indicative of future trends.

CAPITAL PLAN, PROGRAMS AND PROJECTS

Current Capital Programs and Projects

During the first nine months of 2023, the GTAA funded capital investments primarily through operating cash flows. The GTAA may access the capital markets as required to fund future capital expenditures.

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

1) Airside Pavement Restoration Program

The 2020–2024 Airside Pavement Restoration Program is underway rehabilitating an estimated 1.5 million square metres of airside surfaces. The program is based on current pavement condition surveys and predictive restoration modelling. During 2023, the plans include rehabilitating approximately 260,000 square meters of airside surfaces, including taxiways, apron slabs, and service roads. The overall budget for this program is $257 million. From the inception of the Airside Pavement Restoration Program to September 30, 2023, the GTAA has expended $203.4 million. Refer to the 'Airport Critical Infrastructure Program' ("ACIP") section for the partial reimbursements of this project.

2) 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's baggage processing systems operate, and to enhance the passenger experience. Three of the four work packages of Phase 1 are complete. The fourth work package was suspended during the COVID-19 pandemic and has now resumed. Phase 1 of the program, including the fourth work package, is expected to be complete in 2024. The overall budget for Phase 1 of this program is $235 million. From the inception of the Baggage-Handling Infrastructure Program to September 30, 2023, the GTAA has expended $207.1 million.

3) 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 need to be replaced. Additionally, the current systems do not support new and critical touchless and/or low-touch processes for all passengers. As a result, the GTAA has procured, received and is implementing the next-generation check-in solution at the Terminals as a replacement. The objective of this project is to achieve:

- increased passenger flow and decreased processing times creating more Airport capacity, reduced bottlenecks, and thus provide an improved passenger experience;
- greater flexibility to adapt to regulatory changes and airline implementations;
- increased operational stability and reduced check-in and boarding failures/incidents; and
- streamlined processes for check-in that eliminates touchpoints and reduces inputs for passengers that require additional assistance.

The overall budget for this project is $35 million. From the inception of the Biosecurity-enabled Check-In and Boarding Processing project to September 30, 2023, the GTAA has expended $15.3 million. Refer to the 'Airport Critical Infrastructure Program' section for the partial reimbursements of this project.

4) Border Modernization – Reduced Touch Immigration, Customs, and Health Clearance

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

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

The overall budget for this project is $29 million. From the inception of the Border Modernization project to September 30, 2023, the GTAA has expended $20.4 million. Refer to the 'Airport Critical Infrastructure Program' section for the partial reimbursements of this project.

5) Terminal 3 Temporary Arrivals & Transfer Facility (“T-SPIL”)

The T-SPIL project will allow passengers to make international to domestic (“ITD”) connections in a more streamlined way. The objective of the project is to create space for both CBSA and Canadian Air Transport Security Authority ("CATSA") to render services to connecting passengers. At present, all Terminal 3 ITD and international to international ("ITI") passengers must exit the secure area and be re-screened by CATSA to connect. A satellite primary inspection line will provide ITD and ITI passengers with an improved operational flow and passenger experience during the connections process while diminishing the connection time between flights using a secure area of the Terminal. The overall budget for this project is $23 million. From the inception of the T-SPIL project in 2021 to September 30, 2023, the GTAA has expended $17.7 million.

6) Infield Concourse (“IFC”) Modernization

The IFC modernization project will refurbish six existing gates and add five additional gates at the infield concourse located west of Terminal 3. The objective of the project is to accommodate passenger growth and maintain gate availability and resiliency during any operational disruptions caused by the various capital projects underway at Terminals 1 and 3. The overall budget for this project is $47 million. From the inception of the IFC modernization project to September 30, 2023, the GTAA has expended $18.7 million.

Airport Critical Infrastructure Program

During 2022, Transport Canada agreed to $140.0 million in new funding under the ACIP, representing 50 per cent of eligible expenditures of certain programs and projects, to support continued air services and important transportation infrastructure projects at Toronto Pearson. The ACIP is intended to help airports mitigate the financial impact of the COVID-19 pandemic, as part of the Government of Canada's strategy to ensure that Canada's air transportation system provides Canadians with choice, connectivity and affordable air travel. The funding is being used to offset costs associated with GTAA's projects on the reconstruction of a runway; to develop and install new check-in service kiosks, boarding and border clearance systems; and to conduct further studies and produce a development concept to connect Toronto Pearson with the proposed extension of the Eglinton Crosstown Light Rail Transit ("LRT").

As part of the ACIP, the GTAA has received $91.7 million in funding from Transport Canada since the inception of the program. Of this balance, $82.1 million was applied against eligible amounts spent on the Airside Pavement Restoration Program, Border Modernization, and the Biosecurity-enabled Check-In and Boarding Processing projects as at September 30, 2023. The balance of $9.6 million, which relates to deferred payments under the Airside Pavement Restoration Program and Biosecurity-enabled Check-In and Boarding Processing projects, has been recorded as a liability on the condensed statements of financial position as at September 30, 2023. These amounts are scheduled to be spent in 2023.

Transformative Capital Plan

Demand for air travel has come back strong and continues to grow. For the GTAA to meet the demands of additional passengers in the future, the Company is working with its partners to plan for smart growth, flexibility, and to invest in the future, now. The Company's TCP is focusing on revitalizing Airport facilities, building for recovery, expanding Airport and passenger capacity, and delivering new technologies to improve the travel experience.

The TCP will form the basis of the GTAA's capital investments to:

- enhance the customer experience;
- create a sustainable future airport;
- build new revenue sources;
- drive operational performance and efficiency;
- build a digital future and smart capacity; and
- create an inclusive environment and a new value proposition for communities.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at September 30, 2023 as compared to December 31, 2022, are set out in the following table.

($ millions)	**September 30, 2023**	December 31, 2022	Change 2023 – 2022
Total assets	**6,763.9**	6,306.0	457.9
Total liabilities	**7,403.8**	7,177.3	226.5
Deficit and accumulated other comprehensive loss	**(639.9)**	(871.3)	231.4

As at September 30, 2023, when compared to December 31, 2022, the GTAA's total assets increased by $457.9 million primarily due to increases of $575.8 million in cash, $46.3 million in restricted funds, and $13.3 million in accounts receivable offset by decreases of $100.0 million in the net book value of property and equipment, and $47.0 million in the Airport Critical Infrastructure Program receivable. The GTAA's total liabilities increased by $226.5 million primarily due to increases of $210.5 million in commercial paper borrowings and accrued interest, and $24.5 million in accounts payable and accrued liabilities, partially offset by decreases of $11.0 million in security deposits and deferred revenue, and $23.5 million in long-term debt. Refer to the "Liquidity and Capital Resources" section for further details.

The deficit and accumulated other comprehensive loss of $639.9 million as at September 30, 2023, as reported on the condensed interim consolidated statements of financial position, has decreased due to the earnings during the first nine months of 2023, which is attributable to the increase in passenger and flight activity.

LIQUIDITY AND CAPITAL RESOURCES

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

	For the periods ended September 30					
	Three months			Nine months		
($ millions)	**2023**	2022	Change	**2023**	2022	Change
Cash flows from operating activities	**297.3**	282.5	14.8	**755.3**	627.2	128.1
Capital expenditures [1] - property and equipment	**(60.2)**	(63.4)	3.2	**(187.4)**	(124.6)	(62.8)
Capital expenditures [1] - investment property	**(0.8)**	(1.1)	0.3	**(2.1)**	(4.0)	1.9
Funds received under Airport Critical Infrastructure Program	**2.2**	—	2.2	**91.7**	—	91.7
Interest Income	**12.6**	—	12.6	**27.2**	—	27.2
Interest paid and other financing costs [2]	**(43.6)**	(40.6)	(3.0)	**(208.3)**	(210.6)	2.3
Free Cash Flow [3]	**207.5**	177.4	30.1	**476.4**	288.0	188.4
Increase in restricted funds	**(20.8)**	(20.9)	0.1	**(46.3)**	(21.5)	(24.8)
Borrowings (Repayments), net	**65.9**	(101.9)	167.8	**145.8**	(410.0)	555.8
Net Cash Inflow/(Outflow)	**252.6**	54.6	198.0	**575.9**	(143.5)	719.4

	As at September 30		
	2023	2022	Change
Total Debt	**6,989.3**	6,841.0	148.3
Cash	**(669.6)**	(114.6)	(555.0)
Restricted funds	**(458.6)**	(444.1)	(14.5)
Net Debt [4]	**5,861.1**	6,282.3	(421.2)
Key Credit Metrics *($)*			
Total Debt/Enplaned Passenger [5]	**320**	434	(26.3) %
Net Debt [4]/Enplaned Passenger [5]	**268**	398	(32.7) %

(1) Capital expenditures - property and equipment relate to acquisition and construction of property and equipment and intangible assets; Capital expenditures - investment property are acquisition of investment property. Both are per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at September 30, 2023.

(2) Interest paid and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation, as per the Consolidated Statements of Cash Flows in the Condensed Interim Consolidated Financial Statements as at September 30, 2023.

(3) Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows, and ACIP grants received less interest and financing costs paid net of interest income, and capital expenditures (projects and property acquisitions). 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) For credit purposes, enplaned passengers are defined as equal to half of total passengers and is based on the prior 12 months activity.

Cash flows from operations increased $14.8 million to $297.3 million and $128.1 million to $755.3 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, primarily due to the significant increase in revenues over the increase in costs.

Free cash flow increased $30.1 million to $207.5 million and $188.4 million to $476.4 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, primarily driven by the increase in cash flows from operations and the increase in interest income. The free cash flow during the first nine months of 2023 also increased from the funds received under ACIP and partially offset by the increase in capital expenditures. Free cash flow is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section for additional information.

Net cash inflow increased $198.0 million to $252.6 million and $719.4 million to $575.9 million during the three- and nine-months ended September 30, 2023, respectively, when compared to the same periods of 2022, due to the increases in free cash flow, the incremental borrowings during the second and third quarters of 2023, partially offset by the increases in restricted funds. The increase in net cash inflow during the first nine months of 2023 was also partially impacted by the early redemption of Series 2012-1 in June of 2022.

Gross Debt increased by $148.3 million to $7.0 billion as at September 30, 2023 when compared to September 30, 2022 due to the incremental commercial paper borrowings partially offset by the annual payment of the Series 1999–1 revenue bond. Net Debt decreased by $421.2 million to $5.9 billion as at September 30, 2023 when compared to September 30, 2022 mainly due to an increase in cash of $555.0 million, partially offset by the increase in gross debt. Net Debt is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Based on the prior 12 months passenger activity, the GTAA's total debt per enplaned passenger, one of the airport industry's key ratings or financial metrics, declined from $434 as at September 30, 2022 to $320 as at September 30, 2023 due to significantly higher passenger volumes partially offset by an increase in gross debt; and net debt per enplaned passenger declined from $398 as at September 30, 2022 to $268 as at September 30, 2023 due to the same reasons and a higher ending cash balance. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" for additional information.

An overall Capital Markets Platform has been established by the GTAA with the Master Trust indenture ("MTI") setting out the security 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 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 Morningstar ("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. The GTAA's Annual Information Form for the year ended December 31, 2022 contains more detailed information about the GTAA's credit ratings.

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

As at September 30, 2023, the GTAA had borrowing capacity available under its Operating Credit Facility of $1.2 billion, available under its Letter of Credit Facility of $36.9 million and unrestricted cash of $669.6 million, for an aggregate of $1.9 billion in total available liquidity. The unrestricted cash was invested in short-term, highly liquid investment instruments in line with the GTAA's Investment Policy and the MTI.

Liquidity and Credit Facilities *($ millions)*			**September 30, 2023**			December 31, 2022
Source	**Currency**	**Expiry**	**Size**	**Drawn / CP Backstop / Issued**	**Available**	Available
Cash and cash equivalents	CAD				**669.6**	93.8
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]				169.6	**(169.6)**	—
Available for general use					**1,230.4**	1,400.0
2) Letter of Credit Facility	CAD	May 31, 2024	150.0	113.1	**36.9**	36.9
			1,550.0	282.7	**1,267.3**	1,436.9
Total net liquidity (including cash)					**1,936.9**	1,530.7
3) Hedge Facility [3]	CAD	Per contract	150.0	—	**150.0**	150.0
Total credit facilities and cash			**1,700.0**	**282.7**	**2,086.9**	1,680.7

1 The Operating Credit Facility is a committed bank facility which is revolving in nature.
2 As at September 30, 2023, there was $169.6 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 $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 September 30, 2023, $169.6 million CP was outstanding, no amounts were drawn from the Operating Credit Facility, $113.1 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 September 30, 2023, the GTAA had a working capital surplus of $281.7 million, computed by subtracting current liabilities from current assets. This was primarily due to the large cash balance, as a result of positive cash flow from operations and the new financial risk resilience measure, and receipt of the ACIP funding, partially offset by the interest payable on long-term debt. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. Given the GTAA's total available liquidity of $1.9 billion, Management believes that the available credit under the Operating Credit Facility, its cash flows from operations, unrestricted cash-on-hand and the GTAA's ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities as they come due.

The following table analyzes the GTAA's short- and long-term contractual obligations in nominal dollars as at September 30, 2023 by relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the aggregate contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. The debt obligations include both principal and interest cash flows.

Contractual Obligations *($ millions)*	**Total**	**Payments Due by Period** Less than 1 year	1 year to 3 years	4 years to 5 years	Thereafter
Accounts payable and accrued liabilities	**241.2**	241.2	—	—	—
Purchase obligations [1]	**912.0**	321.1	295.3	86.7	208.9
Commercial paper	**169.6**	169.6	—	—	—
Long-term debt principal	**6,752.7**	25.0	54.8	883.7	5,789.2
Interest payable on long-term debt	**3,761.6**	321.0	637.2	619.5	2,183.9
	11,837.1	**1,077.9**	**987.3**	**1,589.9**	**8,182.0**

[1] Purchase obligations include commitments for goods and services contracts as at September 30, 2023 the GTAA entered into that are required to operate the Corporation in the ordinary course of business over the next few years. It also includes capital commitments of approximately $159.4 million.

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

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding as at September 30, 2023 of approximately $159.4 million, compared to $186.2 million at December 31, 2022. In the short term, the GTAA expects to fund these commitments primarily through operating cash flows.

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

NON-GAAP FINANCIAL MEASURES

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

EBITDA and EBITDA Margin

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

Free Cash Flow

Free Cash Flow ("FCF") is cash flow from operating activities, per the consolidated statements of cash flows, and ACIP grants received 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"). For credit metric purposes, EPAX is defined as equal to half of total passengers and is based on the prior 12-months' activity. EPAX is widely used in the aviation industry and represents a passenger boarding a plane at a particular airport. Net debt per EPAX is commonly used by airports and other users to assess an appropriate debt burden for an airport.

Net Liquidity

Net liquidity is defined as the total 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 a measure that demonstrates GTAA's ability to 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 September 30, 2023 and 2022. 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, 2023. These changes were made in accordance with the applicable transitional provisions.

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. These amendments did not have a material impact on the consolidated financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

RELATED PARTY TRANSACTIONS

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

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

The GTAA's related parties also include Key Management personnel. Key Management includes the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Operating Officer ("COO") and other executives who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. As at September 30, 2023, the GTAA had normal course transactions with Key Management personnel in the ordinary course of their employment with the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of Management under applicable securities policies. In this respect, the GTAA only had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as an independent Director.

INTERNAL CONTROLS AND PROCEDURES

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

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

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

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

Management's Report on Disclosure Controls and Procedures
Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at September 30, 2023, 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 September 30, 2023, 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 September 30, 2023 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 document contains certain forward-looking statements or forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information.

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

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

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

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

Condensed Interim Consolidated Financial Statements of the Greater Toronto Airports Authority

September 30, 2023

Greater Toronto Airports Authority
Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of Canadian dollars)	September 30 2023	December 31 2022
	$	$
Assets		
Current assets		
Cash and cash equivalents	**669,588**	93,804
Restricted funds	**103,307**	68,724
Accounts receivable	**106,237**	92,975
Airport Critical Infrastructure Program receivable (Note 4)	**—**	47,000
Inventory	**17,747**	15,196
Prepaids	**11,565**	5,642
	908,444	323,341
Non-current assets		
Restricted funds	**355,341**	343,653
Intangibles and other assets	**133,049**	147,304
Property and equipment (Note 5)	**4,886,342**	4,986,386
Investment property (Note 6)	**414,633**	439,598
Post-employment benefit asset	**66,083**	65,686
	6,763,892	6,305,968
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**241,237**	216,760
Security deposits and deferred revenue	**80,215**	69,239
Deferred Airport Critical Infrastructure Program payment (Note 4)	**9,635**	—
Long-term debt and commercial paper (Note 7)	**295,611**	85,128
	626,698	371,127
Non-current liabilities		
Deferred credit	**5,138**	6,790
Post-employment benefit liabilities	**10,808**	10,674
Long-term debt (Note 7)	**6,693,700**	6,717,232
Deferred ground rent payable	**67,440**	65,103
Other liabilities	**—**	6,390
	7,403,784	7,177,316
Deficit and Accumulated Other Comprehensive Loss	**(639,892)**	(871,348)
	6,763,892	6,305,968

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

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

(unaudited) (in thousands of Canadian dollars)	Three Months Ended September 30 **2023**	Three Months Ended September 30 2022	Nine Months Ended September 30 **2023**	Nine Months Ended September 30 2022
	$	$	**$**	$
Revenues				
Landing fees	**105,814**	101,665	**308,262**	270,368
General terminal charges	**63,108**	58,609	**182,156**	149,581
Airport improvement fees	**175,688**	127,392	**459,307**	293,831
Car parking and ground transportation	**64,368**	52,823	**175,476**	125,302
Concessions	**38,255**	32,400	**104,498**	84,392
Rentals	**43,418**	39,251	**122,585**	113,023
Other	**13,816**	9,807	**41,619**	51,882
	504,467	421,947	**1,393,903**	1,088,379
Operating Expenses				
Ground rent	**55,489**	48,767	**156,713**	121,920
Goods and services	**112,403**	91,239	**333,017**	247,275
Salary, wages and benefits	**54,149**	51,090	**165,477**	144,412
Payments-in-lieu of real property taxes	**2,908**	3,052	**8,723**	9,156
Impairment of investment property (Note 6)	**17,862**	—	**17,862**	—
Amortization of property and equipment	**84,041**	67,298	**240,619**	216,803
Amortization of intangibles	**4,504**	3,613	**14,839**	12,979
Amortization of investment property	**3,032**	3,068	**9,251**	9,352
	334,388	268,127	**946,501**	761,897
Earnings before interest and financing costs, net	**170,079**	153,820	**447,402**	326,482
Interest income	**12,597**	2,392	**27,142**	5,961
Interest expense on debt instruments and other financing costs	**(82,953)**	(82,536)	**(244,878)**	(251,852)
Interest and financing costs, net (Note 7)	**(70,356)**	(80,144)	**(217,736)**	(245,891)
Net Income	**99,723**	73,676	**229,666**	80,591
Items that will be reclassified subsequently to Net Income:				
Amortization of terminated hedges and interest rate swap	**272**	323	**815**	1,020
Items that will not be reclassified subsequently to Net Income:				
Pension and non-pension remeasurements, net	**(3,066)**	(3,330)	**975**	3,116
Other Comprehensive (Loss) Income	**(2,794)**	(3,007)	**1,790**	4,136
Total Comprehensive Income	**96,929**	70,669	**231,456**	84,727

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 nine months ended September 30, 2023 (unaudited) (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
	$	**$**	**$**
Balance, January 1, 2023	**(855,137)**	**(16,211)**	**(871,348)**
Net Income	**229,666**	**—**	**229,666**
Amortization of terminated hedges and interest rate swap	**—**	**815**	**815**
Pension and non-pension remeasurements, net	**975**	**—**	**975**
Total Comprehensive Income for the period	**230,641**	**815**	**231,456**
Balance, September 30, 2023	**(624,496)**	**(15,396)**	**(639,892)**

For nine months ended September 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	80,591	—	80,591
Amortization of terminated hedges and interest rate swap	—	1,020	1,020
Pension and non-pension remeasurements, net	3,116	—	3,116
Total Comprehensive Income for the period	83,707	1,020	84,727
Balance, September 30, 2022	(845,366)	(16,482)	(861,848)

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 nine months ended September 30 (unaudited) (in thousands of Canadian dollars)	**2023**	2022
Cash Flows from (used in) Operating Activities	**$**	$
Net Income	**229,666**	80,591
Adjustments for:		
Amortization of property and equipment	**240,619**	216,803
Amortization of intangibles and other assets	**18,661**	16,801
Amortization of investment property	**9,251**	9,352
Impairment of investment property	**17,862**	—
Post-employment benefit plans	**712**	1,893
Interest and financing costs, net	**217,736**	245,891
Amortization of deferred credit	**(1,652)**	(1,652)
Deferred ground rent payable	**2,337**	914
Changes in working capital and other:		
Accounts receivable	**(13,262)**	9,232
Prepaids	**(5,923)**	(4,064)
Inventory	**(2,551)**	(469)
Accounts payable and accrued liabilities	**37,210**	57,625
Security deposits and deferred revenue	**10,976**	(5,747)
Other liabilities	**(6,390)**	—
	755,252	627,170
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	**(187,437)**	(124,614)
Funds received under the Airport Critical Infrastructure Program (Note 4)	**91,737**	—
Acquisition and construction of investment property	**(2,148)**	(3,962)
Increase in restricted funds	**(46,271)**	(21,477)
	(144,119)	(150,053)
Cash Flows from (used in) Financing Activities		
Repayment of medium-term notes and long-term debt	**(23,445)**	(410,024)
Commercial paper, net	**169,209**	—
Interest paid and other financing costs	**(208,255)**	(216,608)
Interest received	**27,142**	5,961
	(35,349)	(620,671)
Net Cash Inflow (Outflow)	**575,784**	(143,554)
Cash and cash equivalents, beginning of period	**93,804**	258,194
Cash and cash equivalents, end of period	**669,588**	114,640

As at September 30, 2023, cash and cash equivalents consisted of cash of $133.7 million (December 31, 2022 – $52.3 million) and cash equivalents of $535.9 million (December 31, 2022 – $41.5 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 nine months ended September 30, 2023 and 2022 (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 ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As these condensed interim consolidated financial statements do not include all information required for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the 2022 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, 2022 consolidated financial statements except as described below.

These condensed interim consolidated financial statements were approved for issue on November 9, 2023 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, 2023. These changes were made in accordance with the applicable transitional provisions.

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. These amendments did not have a material impact on the consolidated financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

4. AIRPORT CRITICAL INFRASTRUCTURE PROGRAM

As part of the Airport Critical Infrastructure Program (“ACIP”), the GTAA has received $91.7 million in funding from Transport Canada since the inception of the program. Of this balance, $82.1 million was applied against eligible amounts spent on approved infrastructure projects as at September 30, 2023. The balance of $9.6 million, which relates to deferred payments under the program, has been recorded as a liability on the condensed interim consolidated statements of financial position as at September 30, 2023. These amounts are scheduled to be spent in 2023 on eligible amounts and therefore applied in the same manner.

5. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

September 30, 2023

	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets Under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	7,133,810	460,259	9,480	664,945	765,994	264,667	9,299,155
Additions, net of government grants	62	—	—	—	—	140,589	140,651
Disposals	(76)	—	—	(40,651)	(44)	—	(40,771)
Transfers	25,272	3,419	—	1,066	30,384	(60,141)	—
Balance, end of period	7,159,068	463,678	9,480	625,360	796,334	345,115	9,399,035
Accumulated amortization							
Balance, beginning of year	3,237,578	265,954	4,116	318,023	487,098	—	4,312,769
Amortization expense	172,550	12,258	118	17,676	38,017	—	240,619
Disposals	—	—	—	(40,651)	(44)	—	(40,695)
Transfers	(2,592)	—	—	2,592	—	—	—
Balance, end of period	3,407,536	278,212	4,234	297,640	525,071	—	4,512,693
Net book value, end of period	3,751,532	185,466	5,246	327,720	271,263	345,115	4,886,342

December 31, 2022

	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets Under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	7,105,045	456,126	9,480	597,754	735,915	247,899	9,152,219
Additions	191	—	—	—	—	169,937	170,128
Disposals	(21,927)	—	—	—	(1,265)	—	(23,192)
Transfers	50,501	4,133	—	67,191	31,344	(153,169)	—
Balance, end of period	7,133,810	460,259	9,480	664,945	765,994	264,667	9,299,155
Accumulated amortization							
Balance, beginning of year	3,060,447	249,992	3,958	275,377	435,669	—	4,025,443
Amortization expense	198,661	15,962	158	42,646	53,047	—	310,474
Disposals	(21,530)	—	—	—	(1,618)	—	(23,148)
Balance, end of year	3,237,578	265,954	4,116	318,023	487,098	—	4,312,769
Net book value, end of period	3,896,232	194,305	5,364	346,922	278,896	264,667	4,986,386

As at September 30, 2023, $345.1 million (December 31, 2022 – $264.7 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $12.0 million (December 31, 2022 – $11.3 million) of capitalized interest. During the nine months ended September 30, 2023, borrowing costs for active projects were capitalized at the rate of 4.8 per cent, which represents the weighted-average cost of the GTAA's general borrowings (January 1 to September 30, 2022 – 4.7 per cent).

6. INVESTMENT PROPERTY

The fair value for investment property is determined through valuations conducted by an external appraiser. Assumptions used in the valuations include capitalization rate, terminal capitalization rate and discount rate. One key assumption, the discount rate, increased from 5.0 - 6.0 per cent as at December 31, 2022 to 5.75 - 7.75 per cent as at September 30, 2023. This change resulted in an impairment loss of $17.9 million (September 30, 2022 - $nil) recorded in the condensed interim consolidated statements of operations and comprehensive income.

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

As at September 30, 2023, 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	September 30, 2023	December 31, 2022
Revenue Bonds			$	$	$
1997–3	6.45%	December 3, 2027	321,500	**326,661**	321,314
1999–1	6.45%	July 30, 2029	176,067	**177,416**	204,241
Medium-Term Notes					
2000–1	7.05%	June 12, 2030	526,550	**536,745**	527,535
2001–1	7.10%	June 4, 2031	492,150	**500,812**	492,018
2002–3	6.98%	October 15, 2032	468,960	**483,680**	475,523
2004–1	6.47%	February 2, 2034	567,428	**569,272**	578,377
2010–1	5.63%	June 7, 2040	400,000	**404,740**	399,127
2011–1	5.30%	February 25, 2041	600,000	**599,899**	607,842
2011–2	4.53%	December 2, 2041	400,000	**403,439**	398,902
2018–1	3.26%	June 1, 2037	500,000	**502,468**	498,317
2019–1	2.73%	April 3, 2029	500,000	**504,972**	501,368
2019–2	2.75%	October 17, 2039	900,000	**905,268**	898,913
2020–1	1.54%	May 3, 2028	500,000	**501,272**	499,074
2021–1	3.15%	October 5, 2051	400,000	**403,077**	399,809
				6,819,721	6,802,360
Commercial paper borrowings			169,590	**169,590**	—
				6,989,311	6,802,360
Less: Current portion (including accrued interest)				**(295,611)**	(85,128)
				6,693,700	6,717,232

As at September 30, 2023, accrued interest included in the current portion of the long-term debt was $101.1 million (December 31, 2022 – $61.7 million).

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Interest income	**12,597**	2,392	**27,142**	5,961
Interest expense on debt instruments	**(83,293)**	(82,087)	**(244,646)**	(249,749)
Capitalized interest	**2,214**	1,330	**5,378**	3,106
Amortization of terminated hedges and interest rate swap	**(272)**	(323)	**(815)**	(1,020)
Other financing fees	**(823)**	(1,456)	**(2,458)**	(4,189)
Deferred ground rent interest accretion	**(779)**	—	**(2,337)**	—
	(82,953)	(82,536)	**(244,878)**	(251,852)
Interest and financing costs, net	**(70,356)**	(80,144)	**(217,736)**	(245,891)

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.

	September 30, 2023		December 31, 2022	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**6,819,721**	**6,358,167**	6,802,360	6,653,890

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 value 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 September 30, 2023, $169.6 million CP was outstanding (December 31, 2022 – $nil), no amounts were drawn from the Operating Credit Facility (December 31, 2022 – $nil), $113.1 million of the $150.0 million Letter of Credit Facility was utilized (December 31, 2022 – $82.3 million), and there were no outstanding contracts under the $150.0 million hedge facility.

As at September 30, 2023, the GTAA had borrowing capacity available under its Operating Credit Facility of $1.2 billion, available under its Letter of Credit Facility of $36.9 million and unrestricted cash of $669.6 million, for an aggregate of $1.9 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.

8. COMMITMENTS

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding as at September 30, 2023, of approximately $159.4 million (December 31, 2022 - $186.2 million).

9. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

b) Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; or

c) Level 3 – Significant unobservable inputs that are supported by little or no market activity.

Financial instruments that are not measured at fair value in the condensed interim consolidated statements of financial position are represented by cash equivalents, accounts receivable, accounts payable and accrued liabilities, security deposits, long-term debt, advanced payments, and other liabilities. The fair values of these items, excluding long-term debt, approximate their carrying values due to their short-term nature. The fair value of long-term debt is disclosed in Note 6, 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.