Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2018

Dated March 20, 2019

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") for the year ended December 31, 2018 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2018 and 2017, and the Annual Information Form for the year ended December 31, 2018. These documents provide additional information on certain matters that may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and the Consolidated Financial Statements referred to above, is available on SEDAR at www.sedar.com. The GTAA's Consolidated Financial Statements and MD&A are also available on its website at www.torontopearson.com.

CORPORATE PROFILE

The GTAA is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*. The GTAA is authorized to manage and operate airports within the south-central Ontario region, including the Greater Toronto Area (the "GTA"), on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto – Lester B. Pearson International Airport (the "Airport" or "Toronto Pearson") under a ground lease with the federal government, which was executed in December 1996 (the "Ground Lease"). The Ground Lease has a term of 60 years, with one renewal term of 20 years. The Ground Lease is available on SEDAR at www.sedar.com and on the GTAA's website at www.torontopearson.com. The GTAA's wholly-owned subsidiary, Malton Gateway Inc. ("MGI"), a holding company, was incorporated in April 2017 and holds the shares of Airway Centre Inc. Airway Centre Inc. 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. In accordance with the GTAA's Ground Lease, the approval of the Minister of Transport ("Transport Canada") was obtained in connection with the properties acquired by Airway Centre Inc. The properties acquired by Airway Centre Inc. do not form part of the premises leased to the GTAA by the Federal Government under the Ground Lease.

SELECT FINANCIAL AND OPERATIONAL HIGHLIGHTS

($ millions)	**2018**	2017	Change[1] 2018–2017		2016
Total Revenues	**1,471.7**	1,387.7	84.0	6.1%	1,301.6
Total Operating Expenses (excluding Amortization)	**751.1**	683.8	67.3	9.8%	626.4
EBITDA[(2), (3)]	**720.6**	703.9	16.7	2.4%	675.2
EBITDA margin[(2), (3)]	**49.0%**	50.7%		(1.7)pp	51.9%
EBIT[(4)]	**443.6**	439.2	4.4	1.0%	426.4
Net Income	**113.7**	112.2	1.5	1.4%	85.5
Adjusted Net Income[(5)]	**139.8**	112.2	27.6	24.6%	85.5
Free Cash Flow[(6)] ($ millions)	**(124.6)**	(175.7)	51.1	(29.1)%	119.7
Credit Metric[(7)]					
EBITDA/Interest (net)[(1)]	**2.29x**	2.11x	0.18	8.5%	1.93x
Rate Covenant[(8)]					
Operating Covenant (minimum requirement of 100%)	**135.9%**	137.6%		(1.7)pp	134.9%
Debt Service Covenant (minimum requirement of 125%)	**148.5%**	144.9%		3.6pp	136.3%
Passenger Activity (millions)					
Domestic	**17.8**	17.5	0.3	2.0%	16.9
International	**31.7**	29.6	2.1	6.7%	27.4
Total	**49.5**	47.1	2.4	5.0%	44.3
Flight Activity					
Aircraft movements (thousands)	**473.0**	465.4	7.6	1.6%	456.4
MTOW[(9)] (million tonnes)	**37.4**	36.3	1.1	3.2%	34.4
Seats (millions)	**59.3**	57.0	2.3	4.0%	54.2
Load factor (%)	**83.4**	82.6		0.8pp	81.8

At December 31	**2018**	2017	Change		2016
Total Debt – GAAP ($ millions)	**6,370.3**	6,311.8	58.5	0.9%	6,222.6
Net Debt[(10)]	**5,959.1**	5,844.6	114.5	2.0%	5,665.9
Key Credit Metrics ($)					
Total Debt/EPAX[(11)]	**258**	268	(10)	(3.8)%	281
Net Debt[(10)]/EPAX[(11)]	**241**	248	(7)	(2.8)%	256

(1) "% Change" is based on detailed actual numbers (not rounded as presented); pp = percentage points; x = times.
(2) EBITDA, a non-GAAP financial measure, is earnings before interest and financing costs and amortization. Refer to section "Non-GAAP Financial Measures".
(3) Refer to "Results of Operations – Net Operating Results" section for EBITDA and EBITDA margin narrative details.
(4) EBIT is earnings before interest and financing costs, net. Refer to "Results of Operations – Net Operating Results" section for narrative details.
(5) Adjusted net income, a non-GAAP financial measure, is defined as net income before the early retirement of debt charge, remaining unamortized bond premiums and loss on cash flow hedge. Refer to section "Non-GAAP Financial Measures".
(6) Free cash flow, a non-GAAP financial measure, is cash generated from operations, less cash interest and financing costs less capital expenditures. Refer to section "Non-GAAP Financial Measures". See "Liquidity and Capital Resources" section for narrative details and the free cash flow calculation.
(7) This credit metric is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".
(8) The GTAA's Master Trust Indenture contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant).
(9) MTOW is aircraft maximum take-off weight as specified by the aircraft manufacturers.
(10) Net Debt, a non-GAAP financial measure, is gross debt, less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".
(11) EPAX (enplaned passengers) is defined as equal to half of total passengers and is based on prior 12 months activity.

BUSINESS STRATEGY

"The Best Airport in the World: Making a Difference, and Connecting the World" is the GTAA's vision. "Passengers Are Our Passion" is its mission. With passengers at the centre of its business focus, the GTAA has developed a strategic framework comprising a set of goals that focuses its efforts and drives the GTAA toward its vision.

Building on and supplementing the strategic framework, the GTAA has over the last two years articulated a vision for Toronto Pearson aspiring to become a mega hub from a global hub, growing its number of international passengers and striving to provide direct air service to 80 per cent or more of the global economy – creating additional jobs, fuelling exports and attracting foreign investment.

Air travel activity at Toronto Pearson has risen significantly over the last several years as major air carriers continue to expand and use Toronto Pearson as a strategic hub in their networks. The strong passenger growth experienced over the past few years has resulted in the need to further invest in the Airport's physical infrastructure. The GTAA has commenced design development for a new concourse and processor expansion at Terminal 1 in consultation with the air carriers and other stakeholders. In addition, the GTAA has also commenced preliminary design on a passenger terminal processor and integrated Regional Transit and Passenger Centre ("RTPC"), and a replacement of the baggage systems.

As a worldwide connector of people and businesses, and a driver of economic prosperity in the region, the GTAA views enhanced access to effective transit at the Airport as a priority. Currently, one million car trips a day are taken into and out of the Airport employment zone and driving times to Toronto Pearson are expected to rise by an average of 30 per cent over the next two decades. The GTAA has a vision to build a RTPC to better move people to, from and around the Airport, making it easier to travel, connecting people with jobs, facilitating tourism, enabling business and facilitating the movement of goods. The project is expected to be completed in phases, with the first phase planned for the late-2020s. In February 2018, the GTAA engaged HOK – a leader in sustainable, high-performance projects – to design the RTPC at Toronto Pearson. In April 2018, the GTAA and Metrolinx announced that they will work together to study potential connections for the Kitchener rail corridor to connect directly to the Airport's proposed RTPC, in addition to other potential direct transit connections such as the Eglinton Crosstown West Light Rail Transit and various regional bus services. The GTAA will continue to advance the planning of the facility and looks to all levels of government to partner on the study of connecting various local transit lines to harness the benefits of a major transit hub for the West Greater Toronto and Hamilton Area.

During 2017, the GTAA released a report, "Toronto Pearson International Airport: Master Plan: 2017–2037" ("Master Plan"). The report presents a rigorous assessment of the expected Airport traffic demand over the next 20 years and describes the land areas, operations and facilities to support the continued growth of the Airport underpinning the dynamism of the region, province and country. The report contemplates that under the "most likely" scenario, Toronto Pearson could be serving an estimated 85 million passengers and 950,000 tonnes of cargo in 2037.

The GTAA will continue to make additional investments in existing and new facilities at the Airport relating to operational and passenger processing improvements, repairs and maintenance, and initiatives that generate additional commercial revenues, as well as investments to meet regulatory requirements.

HIGHLIGHTS

Toronto Pearson's growth reflects the region's economic growth and the impact of the GTAA's overall business strategy. During 2018, passenger traffic grew by 5.0 per cent compared to the same period in 2017 with the international sector leading the passenger growth at 6.7 per cent. Toronto Pearson is the second-largest international passenger airport in North America as measured by the total number of annual international passengers. There continues, however, to be some risks for air travel industry growth due to, among other risks, the uneven global economic outlook, volatile oil prices, currency fluctuations, geopolitical and trade implications. The GTAA remains focused on optimizing the utilization of its facilities, growing commercial revenues by offering products and services which passengers' value, and working with air carriers to expand capacity on existing routes, attract new air service and routes, and plan for expected growth in passenger volume.

The GTAA's sustained positive financial results have allowed the Corporation to balance its approach to achieving its strategic goals. The Corporation has increased its operational initiatives which support passenger and customer service, safety, engaged people, and corporate responsibility. At the same time, the GTAA has enhanced its financial sustainability through increasing net income, reducing debt per enplaned passenger and continuing to lower the air carriers' cost per enplaned passenger. The GTAA has not raised aeronautical fees charged to airlines since 2007. Aeronautical fees have been held constant or lowered for 11 consecutive years, resulting in a reduction in the average air carriers' cost per enplaned passenger.

For the second consecutive year, Toronto Pearson was recognized by Airports Council International as the Best Large Airport in North America for airports that service greater than 40 million passengers annually, based on passenger feedback resulting in an Airport Service Quality ("ASQ") score of 4.45 in 2018. The ASQ awards recognize the airports which have achieved the highest passenger satisfaction ratings in the ASQ survey, the world's benchmark measure of airport excellence. In addition, the score of 4.45 is the highest passenger satisfaction score among airports serving greater than 40 million passengers annually in Africa, North and South America, Australia and Europe. The investments that the GTAA has made over the past several years in enhancing the passenger experience have helped it earn this award and support the GTAA's vision to be the best airport in the world.

While the GTAA continues to utilize operating cash flows to fund capital investments, the GTAA accesses the capital markets to refinance maturing debt and fund the redevelopment of existing assets as well as new major capital programs and acquisitions. The GTAA's approach of matching Airport capacity to demand has allowed the GTAA to continue to meet the developing air travel needs of the south-central Ontario region in a sustainable, cost effective manner.

OPERATING ACTIVITY

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

Passenger Activity

Passenger traffic at the Airport increased in 2018 by 5.0 per cent, from 47.1 million passengers in 2017 to 49.5 million passengers in 2018, representing an annual growth of 2.4 million passengers. This represents the fifth consecutive year of total annual passenger growth of 5.0 per cent or more.

Total passenger traffic at the Airport is categorized into one of two sectors: domestic (passengers travelling within Canada) and international (passengers travelling to destinations outside Canada). During 2018, the strongest growth was in the international sector, where there was an increase in passenger traffic of 6.7 per cent, or 2.1 million passengers from 29.6 million passengers in 2017 to 31.7 million passengers in 2018. The domestic sector experienced an increase of 2.0 per cent, or 300,000 passengers from 17.5 million passengers to 17.8 million passengers over the same comparable period.

The following table summarizes passenger activity by sector for 2018, 2017 and 2016:

PASSENGER ACTIVITY

(in millions)	2018	2017	Change[1] 2018–2017		2016
Domestic	**17.8**	17.5	0.3	2.0%	16.9
International	**31.7**	29.6	2.1	6.7%	27.4
Total	**49.5**	47.1	2.4	5.0%	44.3
(in millions)					
Origin and destination	**35.0**	33.2	1.8	5.6%	30.6
Connecting	**14.5**	13.9	0.6	3.5%	13.7
Total	**49.5**	47.1	2.4	5.0%	44.3
(per cent)					
Origin and destination	**70.8**	70.4		0.4pp	69.0
Connecting	**29.2**	29.6		(0.4)pp	31.0
Total	**100.0**	100.0			100.0

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

Toronto Pearson's mega hub strategy propelled the growth in 2018. Additional frequencies on existing routes, upgauging of average aircraft size on existing frequencies, and the addition of new routes by existing air carriers have driven passenger growth in 2018. Upgauging includes increasing the seat capacity per aircraft by either upgrading to larger aircraft or reconfiguring and increasing seats in existing aircraft. Air Canada's and WestJet's strategy to move more traffic through Toronto Pearson as their hub, and the strong origin and destination market in the Greater Toronto Area, have contributed to Toronto Pearson's increased passenger activity. In addition, the other Canadian and foreign carriers have also significantly contributed to Toronto Pearson's growth.

There are 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, while a connecting passenger changes aircraft at that same airport en route to a final destination. In 2018, total origin and destination traffic increased by 1.8 million passengers, while the total number of connecting passengers increased by 600,000 passengers from 2017. Origin and destination traffic increased in 2018 due to the strong population growth and favourable economic conditions in the Greater Toronto Area, a shift to a service sector-oriented economy with its higher propensity for air travel and the stimulative effect on origin-destination demand of the greater connectivity available at a global hub airport. Connecting traffic also increased due in part to the GTAA's mega hub strategy. In 2018, 70.8 per cent of Toronto Pearson's total passengers were origin and destination passengers, while the remaining 29.2 per cent were connecting passengers, compared to 70.4 per cent origin and destination passengers and 29.6 per cent connecting passengers in 2017.

Flight Activity

As a global hub airport, Toronto Pearson has 65 air carriers providing flights to 180 international and 35 Canadian cities (non-stop flights to 175 International and 35 Canadian cities). The GTAA estimates that countries comprising approximately 70 per cent of the global economy are accessible from Toronto Pearson by daily, non-stop, scheduled service.

Flight activity is measured by aircraft movements, where one movement is 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 2018, 2017 and 2016.

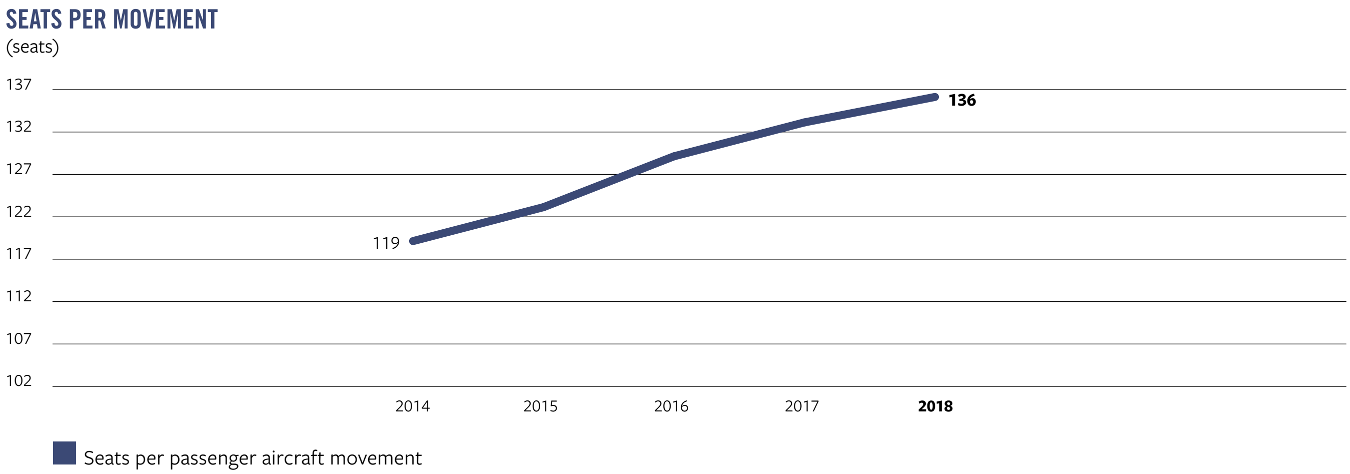
FLIGHT ACTIVITY[1]

(in thousands)	**2018**	2017	Change[2] 2018–2017		2016
Aircraft movements[3]	**473.0**	465.4	7.6	1.6%	456.4
Passenger aircraft movements	**435.5**	427.8	7.7	1.8%	419.2
(in millions)					
MTOW (tonnes)	**37.4**	36.3	1.1	3.2%	34.4
Seats	**59.3**	57.0	2.3	4.0%	54.2
Seats per passenger aircraft movement	**136.3**	133.3	3.0	2.2%	129.2
Load factor (%)	**83.4**	82.6		0.8pp	81.8

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

There was growth in MTOW during 2018 with 37.4 million tonnes, an increase of 3.2 per cent as compared to 2017. This growth reflects an increase in the number of flights and airlines shifting their fleet to larger aircraft. Seats also increased during 2018 by 4.0 per cent to 59.3 million as compared to 2017. As noted above, airlines have been upgauging their aircraft by increasing the seat capacity on existing aircraft and utilizing larger planes. The number of seats per passenger aircraft movement during 2018 was 136.3, an increase of 3.0 seats or 2.2 per cent when compared to 2017, which reflects the air carrier's response to strong growth in passenger demand at the Airport. In addition, load factors have increased from 82.6 per cent in 2017 to 83.4 per cent in 2018. This trend, in effect, increases the passenger capacity of Toronto Pearson's runways and is consistent with the experience of other global and mega hub airports, namely, a trend towards larger aircraft with an increased number of seats and higher load factors.

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



During the year, 18 new flight routes were added while five routes were discontinued, resulting in 13 net new routes for the Airport.

A new route includes the following:

- a new non-stop destination;
- a new one-stop destination;
- additional frequencies on a route (which may also include significant capacity upgauging);
- the conversion of a seasonal service to a year-round service; and
- the addition of a second carrier on a route.

Several routes that were added in 2018 with new or increased service to significant economic centers include London Gatwick (United Kingdom), Buenos Aires (Argentina), Bucharest (Romania), Zagreb (Croatia), Shannon (Ireland), Kiev (Ukraine), Chongqing (China), Guangzhou (China), Miami (United States), Milan (Italy), Mexico City (Mexico), Providence (United States) and Zurich (Switzerland). The discontinued routes included services to Birmingham (UK), Narita (Japan), Jeddah/Riyadh (Saudi Arabia), London Stansted (United Kingdom) and Lisbon (Portugal). During 2018, Ukraine International Airlines commenced services while Primera Air and Saudia discontinued services at Toronto Pearson.

For the most current operating activity statistics, please consult the GTAA's website at www.torontopearson.com.

RESULTS OF OPERATIONS

The following section discusses the GTAA's approach to setting its aeronautical rates 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).

Rate-Setting and Rate Agreements

In 2018, the GTAA advised that it would not change its aeronautical rates and charges to air carriers operating at the Airport in 2019. The GTAA retains the right, however, to set aeronautical rates and charges as required and, if circumstances should vary from the GTAA's expectations, the GTAA may alter its rates and charges.

In 2014, the GTAA and Air Canada entered into a long-term commercial agreement which further supports Toronto Pearson's mega hub strategy. The non-exclusive agreement covered an initial five-year term, with an automatic extension for a further five years subject to certain conditions, which have been met, and includes fixed annual aeronautical fees for Air Canada and its family members, inclusive of landing fees, general terminal charges and apron fees. The fixed annual fees may be adjusted in certain circumstances, including instances where fees for all other carriers operating at the Airport are adjusted. If Air Canada exceeds passenger growth thresholds in a given year, it will be eligible for a rebate. The reader is directed to the GTAA's Annual Information Form for the year ended December 31, 2018 for additional information relating to the Air Canada agreement.

In January 2016, the GTAA entered into a long-term commercial agreement with WestJet having similar terms and conditions to the Air Canada commercial agreement. The WestJet agreement has an effective date of January 1, 2016 and provides for an initial four-year term, which is renewable for a further four-year term.

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 GTAA commits in these agreements to using AIF revenues for capital programs, including associated debt service. AIF has been held constant or lowered for the past nine years.

Revenues

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

The primary driver of aeronautical revenues is aircraft movements. Landing fees are based on the MTOW of arriving aircraft; general terminal charges are based on the number of seats of an arriving aircraft; and apron fees are based on the usage of apron and aircraft gates and bridges. The AIF is charged on a per-passenger basis. A significant portion of commercial revenues is correlated with passenger activity.

The following table summarizes the GTAA's consolidated revenues for the years ended December 31, 2018, 2017 and 2016.

REVENUES

($ millions)	**2018**	2017	Change[1] 2018–2017		2016
Landing fees	**318.5**	312.2	6.3	2.0%	305.5
General terminal charges	**191.3**	188.8	2.5	1.3%	183.8
Aeronautical revenues	**509.8**	501.0	8.8	1.8%	489.3
Concessions & rentals	**277.5**	241.4	36.1	15.0%	214.7
Car parking & ground transportation	**191.8**	177.7	14.1	7.9%	169.1
Other	**32.6**	31.5	1.1	3.6%	28.7
Commercial revenues	**501.9**	450.6	51.3	11.4%	412.5
Airport improvement fees	**460.0**	436.1	23.9	5.5%	399.8
Total	**1,471.7**	1,387.7	84.0	6.1%	1,301.6

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

Aeronautical revenues increased 1.8 per cent to $509.8 million during 2018, when compared to 2017, due to increased passenger growth and flight activities.

The GTAA also generates commercial revenues from concessions and rental properties, car parking and ground transportation and other sources. The GTAA has a long-term objective to increase the proportion of total revenues that are generated through commercial revenue streams at the Airport to over 40 per cent. In recent years, commercial revenues have been the fastest growing component of the GTAA's revenues. When combined with aeronautical rate reductions, the result has been an increase in commercial revenues' proportion of total revenues from approximately 25 per cent to 34 per cent from 2008 to 2018, respectively.

Consolidated concession and rental revenues increased by 15.0 per cent to $277.5 million during 2018 when compared to 2017. This increase was mainly due to the continued expansion of the GTAA's retail and food and beverage programs designed to enhance the passenger experience, and to the revenues generated by Airway Centre Inc.'s commercial buildings. In 2018, the GTAA's revenues from its retail tenants (concession revenues) at the Airport increased to $144.2 million from $129.1 million in 2017, an 11.8 per cent increase. There was significant growth due to the redevelopment and opening of 26 new retail stores during 2018 and the introduction of new and enhanced products and services. Rental revenues increased 18.7 per cent to $133.3 million in 2018 from $112.3 million in 2017. This is primarily due to the acquisition by Airway Centre Inc. of commercial buildings which generated additional rental revenues, and to increased rental rates and higher activity at the Airport. Excluding Airway Centre Inc. revenues (a non-GAAP financial measure), rental revenues increased by 6.2 per cent to $107.6 million during 2018 when compared to 2017.

Retail store sales per enplaned passenger in 2018 at Toronto Pearson were $21.66 versus $21.00 in 2017, a $0.66 or 3.1 per cent increase. Retail store sales are the gross sales generated by the GTAA's retail tenants. These tenants, under their leasehold agreements with the GTAA, pay a percentage of gross sales to the GTAA as rent. Retail stores include retail, restaurant and beverage establishments.

Car parking and ground transportation revenues increased 7.9 per cent to $191.8 million during 2018 when compared to 2017. The roll out of an 18-month pilot program to allow Transportation Network Companies, such as Uber and Lyft, to operate at Toronto Pearson contributed towards this increase alongside a combination of rate increases, enhanced marketing and business development initiatives in parking and ground transportation. Parking volumes have increased slightly during 2018 over 2017 and there is a trend towards a greater proportion of passengers using lower yielding ground transportation options, which is in line with the GTAA's long-term strategy of providing passengers and employees more choice and supporting increased mode share of mass transit to 35 per cent at the Airport as outlined in the Master Plan.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 3.6 per cent to $32.6 million during 2018, when compared to 2017. Deicing revenues have increased 5.2 per cent or $1.4 million during 2018 to $28.6 million, compared to 2017, due to the growth in flight activities. The deicing revenues are based on a cost-recovery model.

AIF revenue increased 5.5 per cent to $460.0 million during 2018 compared to 2017. This increase was due to higher passenger activity.

Expenses

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

The following table summarizes GTAA's consolidated expenses for the years ended December 31, 2018, 2017 and 2016.

EXPENSES

($ millions)	**2018**	2017	Change[1] 2018–2017		2016
Ground rent	**165.2**	156.9	8.3	5.3%	148.1
PILT[2]	**37.8**	36.3	1.5	4.0%	34.6
Total Ground rent and PILT[2]	**203.0**	193.2	9.8	5.0%	182.7
Goods and services	**356.2**	314.9	41.3	13.1%	285.3
Salaries, wages and benefits	**191.9**	175.7	16.2	9.2%	158.4
Total operating expenses before amortization	**751.1**	683.8	67.3	9.8%	626.4
Amortization of property and equipment, investment property and intangible assets	**277.0**	264.7	12.3	4.7%	248.8
Total operating expenses	**1,028.1**	948.5	79.6	8.4%	875.2
Interest expense on debt instruments and other financing costs, net of interest income	**298.5**	327.0	(28.5)	(8.7)%	340.9
Early retirement of debt charge	**28.7**	–	28.7	100.0%	–
Loss on cash flow hedge	**2.7**	–	2.7	100.0%	–
Total expenses	**1,358.0**	1,275.5	82.5	6.5%	1,216.1

(1) "% Change" is based on detailed actual numbers (not rounded as presented).
(2) Payments-in-lieu of real property taxes.

Ground rent payments to the federal government are calculated as a percentage of Airport Revenues, as that term is defined in the Ground Lease, at a rate of 12 per cent of Airport Revenues in excess of $250 million. Ground rent expense increased by 5.3 per cent to $165.2 million during 2018, when compared to 2017. This increase in ground rent expense was due to an increase in Airport Revenues in 2018.

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (*Ontario*), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year and is subject to a maximum annual increase under the *Assessment Act*. The PILT expenditure increased 4.0 per cent to $37.8 million during 2018, when compared to 2017. Airway Centre Inc. pays municipal real property taxes, as the real properties acquired by Airway Centre Inc. have not been conveyed to the Federal Government and are thus not exempt. In the 2018 Ontario budget, the province announced that it is looking to review the way PILT is calculated for airports. No changes to the rates used to calculate PILT have been made since 2001. The province has indicated that it will consult with airport authorities and municipalities affected in its review.

Ground rent and PILT together comprised approximately 19.7 per cent of the GTAA's operating expenses, and 15.0 per cent of total expenses in 2018.

Expenditures for goods and services increased 13.1 per cent or $41.3 million to $356.2 million during 2018, when compared to 2017. The GTAA incurred higher expenditures due to increased Airway Centre Inc.'s costs by $6.8 million, snow removal costs by $4.3 million, Airport maintenance and utilities by $4.2 million, RTPC related costs by $2.2 million, and the increasing investments to support improved passenger and baggage flow, with an increase of approximately $5.9 million.

Management believes that investments in support of the GTAA's vision have had a positive impact on the passenger experience, as reflected in the 2018 ASQ survey where Toronto Pearson achieved the highest passenger satisfaction score in five of the six continents wherein the ASQ survey was administered for airports greater than 40 million passengers annually. Refer to 'Highlights' section for further information.

Salaries, wages and benefits increased 9.2 per cent or $16.2 million to $191.9 million during 2018, when compared to 2017. The increases were due to increased salaries, wages, severances, staff and approximately $4.9 million of expenditures in connection with enhanced passenger and baggage flow related to the GTAA's vision. Consistent with the GTAA's people strategy, the GTAA continued to invest in its employees by providing enhanced education and training initiatives to achieve its short- and long-term strategic goals.

Amortization of property and equipment, investment property and intangible assets increased 4.7 per cent to $277.0 million during 2018, when compared to 2017. This increase was due to additions to the depreciable asset base and the inclusion of the amortization of Airway Centre Inc.'s investment properties.

The GTAA incurred operating expenses, which includes goods and services, salaries and amortization, in support of government agencies' performance in customs and security clearances to improve passenger flow at the Airport of $38.9 million during 2018, an increase of $3.6 million or 10.2 per cent, when compared to 2017. These included direct and indirect operating costs to enhance services provided by Canadian Air Transport Security Authority ("CATSA"), U.S. Customs and Border Protection ("USCBP") and Canada Border Services Agency ("CBSA"). During 2018, CATSA screened 19.5 million departing passengers at Toronto Pearson, an increase of approximately 893,000 or 4.8 per cent over 2017. Of these screened passengers, 92.3 per cent waited less than 15 minutes to be screened compared to the CATSA funding standard service level target across Canada of 85.0 per cent in less than 15 minutes.

Interest expense and other financing costs, net of interest income, decreased by 8.7 per cent to $298.5 million during 2018 when compared to 2017. This decrease was attributable to refinancing a portion of the GTAA's debt at lower interest rates and recognizing the remaining Series 2009-1 Medium Term Notes ("MTNs") unamortized premium. The GTAA reduced its interest cost when it funded the maturities of the $415.9 million Series 2007-1 MTNs on June 1, 2017 and the $460.9 million Series 2008-1 MTNs on April 17, 2018 with the issuance of commercial paper ("CP"). On February 7, 2018, the GTAA exercised its right to redeem all $522.0 million of the outstanding Series 2009-1 MTNs on March 29, 2018 (the "Redemption Date"). It did so to lower the interest rate on this instrument from 5.96 per cent to 3.26 per cent per year and lock in such lower rate for the next 19 years, reducing interest expense by approximately $12 million annually. As a result, the GTAA incurred an early retirement of debt charge of $28.7 million which will be offset by lower interest rates. In addition, the GTAA recognized the unamortized premium remaining on the Series 2009-1 MTNs during the first quarter of 2018 reducing interest expense and financing costs by $5.3 million. In accordance with International Financial Reporting Standard ("IFRS") 9, *Financial Instruments*, the loss on the cash flow hedge of $2.7 million that was recognized in the first quarter of 2018 was the 'ineffective' portion of the change in the fair value of the interest rate lock contract. Refer to the "Liquidity and Capital Resources" section for details.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the years ended December 31, 2018, 2017 and 2016.

NET OPERATING RESULTS

($ millions)	**2018**	2017	Change[1] 2018–2017		2016
Net Income	**113.7**	112.2	1.5	1.4%	85.5
Add: Early retirement of debt charge	**28.7**	–	28.7	100.0%	–
Loss on cash flow hedge	**2.7**	–	2.7	100.0%	–
Less: Unamortized bond premium	**(5.3)**	–	(5.3)	100.0%	–
Adjusted Net Income[2]	**139.8**	112.2	27.6	24.6%	85.5
Add: Interest and financing costs, net	**298.5**	327.0	(28.5)	(8.7)%	340.9
Unamortized bond premium	**5.3**	–	5.3	100.0%	–
EBIT	**443.6**	439.2	4.4	1.0%	426.4
Add: Amortization[3]	**277.0**	264.7	12.3	4.7%	248.8
EBITDA[2]	**720.6**	703.9	16.7	2.4%	675.2
EBITDA margin	**49.0%**	50.7%		(1.7)pp	51.9%

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

The GTAA's net income increased 1.4 per cent to $113.7 million during 2018, when compared to 2017. This increase was primarily due to the positive earnings from operations and lower interest and financings costs offset by the early retirement of debt charge, the remaining unamortized premium from Series 2009-1 MTNs, and loss on the cash flow hedge. Refer to the "Liquidity and Capital Resources" section for details. Excluding the one-time interest and financing items, adjusted net income increased $27.6 million or 24.6 per cent to $139.8 million due to the strong operating results and reduction of interest expense. Adjusted net income is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Earnings before interest and financing costs ("EBIT") increased 1.0 per cent to $443.6 million during 2018, when compared to 2017. This increase in EBIT was the result of higher increases in commercial revenues and passenger activities over increases in operating costs.

Earnings before interest and financing costs and amortization ("EBITDA") increased 2.4 per cent to $720.6 million during 2018, when compared to 2017, due to the same reasons as discussed with respect to EBIT above. The EBITDA margin decreased by 1.7 percentage points to 49.0 per cent during 2018, when compared to 2017. The decrease in EBITDA margin was due to higher increases in expenses over revenue increases as a result of expenditures related to continued customer service, connection and flow initiatives. EBITDA is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Summary of Quarterly Results

Select unaudited consolidated quarterly financial information for the quarters ended March 31, 2017 through December 31, 2018, is set out in the following table.

								Quarter Ended
				2018				2017
($ millions) [1]	**Dec**	**Sep**	**Jun**	**Mar**	Dec	Sep	Jun	Mar
Revenues	**367**	**397**	**359**	**349**	344	374	345	324
Operating expenses (excluding amortization) [2]	**200**	**180**	**179**	**192**	182	170	162	168
Amortization [2]	**73**	**68**	**68**	**68**	68	67	65	65
Earnings before interest and financing costs, net	**94**	**149**	**112**	**89**	94	137	118	91
Interest and financing costs, net	**74**	**75**	**75**	**74**	80	81	83	83
Early retirement of debt charge	**–**	**–**	**–**	**29**	–	–	–	–
Loss on cash flow hedge	**–**	**–**	**–**	**3**	–	–	–	–
Net (loss) income	**20**	**74**	**37**	**(17)**	14	56	35	8

(1) Rounding may result in the figures differing from the results reported in the condensed consolidated interim financial statements.
(2) Amortization means amortization of property and equipment, investment property and intangible assets.

The GTAA's quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors, the historical quarterly results cannot be relied upon to determine future trends.

CAPITAL PROJECTS AND ACQUISITIONS

The GTAA continues to meet the growing demand for air travel by optimizing the use of the existing facilities at Toronto Pearson. The GTAA focuses on capital programs and projects which improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience. Expenditures related to these capital projects are funded primarily through cash flows generated from operations. The strong passenger growth experienced over the past few years has resulted in the need to further invest in the Airport's physical infrastructure.

The GTAA's most significant current and projected capital projects and acquisitions are as follows:

Terminal 1 Pier G – The GTAA is upgrading and expanding its capacity at the Pier G commuter facility in Terminal 1 to accommodate narrow body aircraft operations in response to increased passenger traffic at the Airport. Formerly named Pier 193 expansion, this project will increase the planned narrow body aircraft parking positions to 10, further expand the associated apron, increase the retail services for transborder passengers and improve passenger flow and circulation. Phases One and Two of the building expansion were opened in 2017. The planning and designs of a new apron and the associated boarding bridges commenced in the third quarter of 2017 and the associated work is expected to be completed in early 2019. From the inception of the Pier G expansion to December 31, 2018, the GTAA has expended $46.9 million. During 2018, the GTAA expended $16.0 million.

Terminal 3 Improvement Projects (Phase One) – The following Terminal 3 improvement projects were completed at the end of 2018: revitalization of certain gates and the International Arrivals Hall; upgrades to systems and digital technology for an enhanced passenger experience; and upgrades to the Domestic and International East check-in for increased passenger flow. From the inception of these Terminal 3 improvement projects to December 31, 2018, the GTAA has expended $92.3 million. During 2018, the GTAA expended $13.4 million.

Baggage Handling Improvements (Phase One) – The baggage handling improvement program has been undertaken to add baggage handling capacity, and improve system reliability and dependability, to meet current as well as future anticipated transfer baggage processing requirements. The work is expected to be executed in three implementation phases. Phase One commenced in the fourth quarter of 2018 and is expected to be completed in late 2021 or early 2022. Subsequent to December 31, 2018, the GTAA entered into a master agreement with PCL Construction and BEUMER Group which includes several design-build work packages that are intended to enhance the way the Airport operates, enhance the passenger experience and ultimately move Toronto Pearson closer toward its vision. During 2018, the GTAA expended $22.8 million.

Property Acquisitions – During 2018, the GTAA's wholly owned subsidiary, Airway Centre Inc., acquired properties near the Airport primarily consisting of industrial and commercial office space and buildings which are unrelated to the day-to-day operation or management of Toronto Pearson and expended on office space and building improvements totaling approximately $178.4 million.

FUTURE CAPITAL PROJECTS

The GTAA is undertaking designs, studies, and planning with respect to the following capital projects:

Terminal 1 Expansion – New Concourse and Processor – The Terminal 1 expansion planning and preliminary designs are being undertaken to create new gates to support future increases in US travel activity and to further enhance the GTAA's mega hub strategy. The planning and designs for the project commenced in the fourth quarter of 2017. From the inception of the Terminal 1 expansion to December 31, 2018, the GTAA has expended $11.8 million. During 2018, the GTAA expended $6.7 million.

Terminal 3 Improvement Projects (Phase Two) – The preliminary planning and design for future Terminal 3 enhancements commenced in late 2018 and will conclude in 2019 with a focus on setting the conditions to meet 2027 passenger growth projections. The Phase Two program is intended to renovate and upgrade the parts of the Terminal that were not part of the original Terminal 3 Improvement Projects (Phase One) as discussed above.

Regional Transit and Passenger Centre – The RTPC is intended to create a regional ground transportation hub, providing much needed improved connection between the area surrounding Toronto Pearson and the rest of the Greater Toronto and Hamilton Area. The preliminary design development for Phase One of the project, that will consider future phases to complete the overall project, commenced in 2018. During 2018 the GTAA expended $6.8 million.

In addition, the GTAA and Metrolinx will be working together to study potential connections for the Kitchener rail corridor and possibly other potential transit connections to Toronto Pearson's RTPC, linking the Airport to all the key urban centres in Southern Ontario as well as to areas west of Toronto. The joint study will include, but is not limited to, a preliminary design, environmental assessment, feasibility study and detailed cost analysis for a number of transportation options.

ASSETS AND LIABILITIES

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2018, 2017 and 2016, are set out in the following table.

($ millions)	**2018**	2017	Change 2018–2017	2016
Total assets	**6,437.6**	6,186.2	251.4	5,967.0
Total liabilities	**6,811.1**	6,651.5	159.6	6,553.2
Deficit & Accumulated other comprehensive loss	**(373.5)**	(465.3)	91.8	(586.2)

At December 31, 2018, when compared to December 31, 2017, the GTAA's total assets had increased by $251.4 million mainly due to the property acquisitions, and office space and building improvements by Airway Centre Inc. of approximately $178.4 million and higher property and equipment assets under construction. The acquisitions, improvements and assets under construction were funded by cash from operations and borrowings. The GTAA's total liabilities increased by $159.6 million mainly due to the borrowings related to the property acquisitions by Airway Centre Inc., which were funded by the GTAA by way of inter-company loans, and an increase in accounts payable and accrued liabilities. Accounts payable and accrued liabilities increased by $97.3 million due to higher capital expenditure and operating expense accruals.

The deficit and accumulated other comprehensive loss of $373.5 million at December 31, 2018, as reported on the consolidated statements of financial position, has arisen primarily due to prior year's operations which were impacted by historical aeronautical rate-setting methodology. The notional amortization of debt used in setting the historical aeronautical rates was less than the amortization of property and equipment, investment property and intangible assets and contributed to the GTAA's cumulative net deficit. The transition from the historical aeronautical rate-setting single-till model to one that targets full cost recovery and optimal cash flow is expected to continue to contribute to an improvement in the net deficit position over time.

RESTRICTED FUNDS

($ millions)	**2018**	2017	Change 2018–2017	2016
Debt Service Fund	**60.6**	72.7	(12.1)	73.3
Debt Service Reserve Funds	**328.1**	382.3	(54.2)	403.7
Total Trust Indenture Directed Funds	**388.7**	455.0	(66.3)	477.0

As shown in the table above, total restricted funds decreased from $455.0 million in 2017 to $388.7 million in 2018 due to the GTAA's use of the respective reserve funds to repay the principal maturity of the Series 2008-1 MTNs and the early bond redemption of Series 2009-1 MTNs. The restricted funds which are cash-funded have been invested in short-duration investment-grade instruments.

The various Debt Service Funds represent funds for regular payments of interest and principal and amounts set aside with the Trustee under the GTAA's Master Trust Indenture and Pricing Supplement Nos. 3 and 4 dated May 14, 2009 and October 5, 2009, respectively (the "Trust Indenture"), as security for specific debt issues. As the GTAA has sufficient revenues and reserve funds to meet the 125 per cent debt service covenant under the Trust Indenture, no funds are currently required to be deposited into the Debt Service Coverage Fund to meet the debt service covenant. The Operating and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund are funded with letters of credit.

LIQUIDITY AND CAPITAL RESOURCES

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

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	2018	2017	Change 2018–2017	2016
Free Cash Flow ("FCF")(1)				
Cash flows from Operating Activities – GAAP	**730.6**	724.5	6.1	697.5
Capital Expenditures(2) – Projects	**(319.4)**	(279.4)	(40.0)	(227.2)
FCF before property acquisitions	**411.2**	445.1	(33.9)	470.3
Capital Expenditures(2) – Property Acquisitions	**(178.4)**	(286.5)	108.1	–
FCF before interest and financing costs	**232.8**	158.6	74.2	470.3
Interest and financing costs, net(3)	**(314.0)**	(334.3)	20.3	(350.6)
Early retirement of debt charge	**(28.7)**	–	(28.7)	–
Payment on termination of cash flow hedge	**(14.7)**	–	(14.7)	–
Free Cash Flow(1)	**(124.6)**	(175.7)	51.1	119.7
EBITDA(4)/Interest (net)(3)	**2.29x**	2.11x	0.18	1.93x
Rate Covenant(5)				
Operating Covenant (minimum requirement of 100%)	**135.9%**	137.6%	(1.7)pp	134.9%
Debt Service Covenant (minimum requirement of 125%)	**148.5%**	144.9%	3.6 pp	136.3%

				At December 31
($ millions)	2018	2017	Change 2018–2017	2016
Debt				
Total Debt – GAAP	**6,370.3**	6,311.8	58.5	6,222.6
Cash	**22.5**	12.2	10.3	73.8
Restricted funds	**388.7**	455.0	(66.3)	482.9
Net Debt(6)	**5,959.1**	5,844.6	114.5	5,665.9
Key Credit Metrics ($)				
Total Debt/EPAX(7)	**258**	268	(3.8)%	281
Net Debt(6)/EPAX(7)	**241**	248	(2.8)%	256

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

(2) Capital expenditures – Projects are acquisition and construction of property and equipment and intangible assets; and Capital expenditures – Property Acquisitions are acquisitions of investment property; are both per the Consolidated Statements of Cash Flows in the Consolidated Financial Statements as at December 31, 2018.

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

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

(5) The Trust Indenture contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant).

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

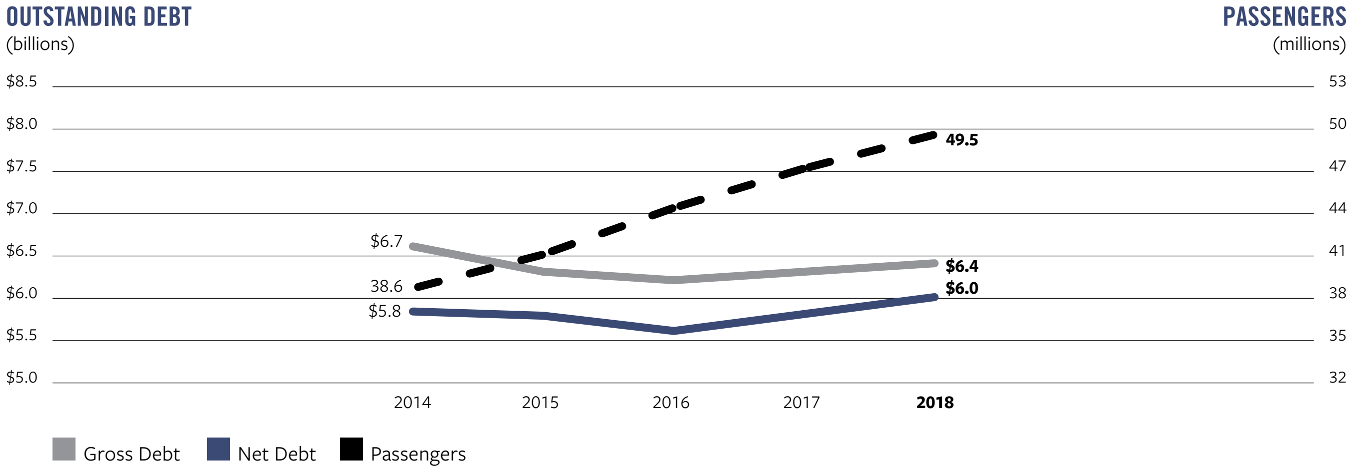
(7) EPAX (enplaned passengers) is defined as equal to half of total passengers and is based on the prior 12 months activity.

Cash flows from operations increased by $6.1 million to $730.6 million during 2018, when compared to 2017. Free cash flow deficit decreased by $51.1 million during 2018, when compared to 2017 due to lower property acquisitions and interest costs offset by additional capital expenditures, the $28.7 million early retirement of debt charge from Series 2009-1 MTNs and the $14.7 million payment on termination of the cash flow hedges. Free cash flow is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

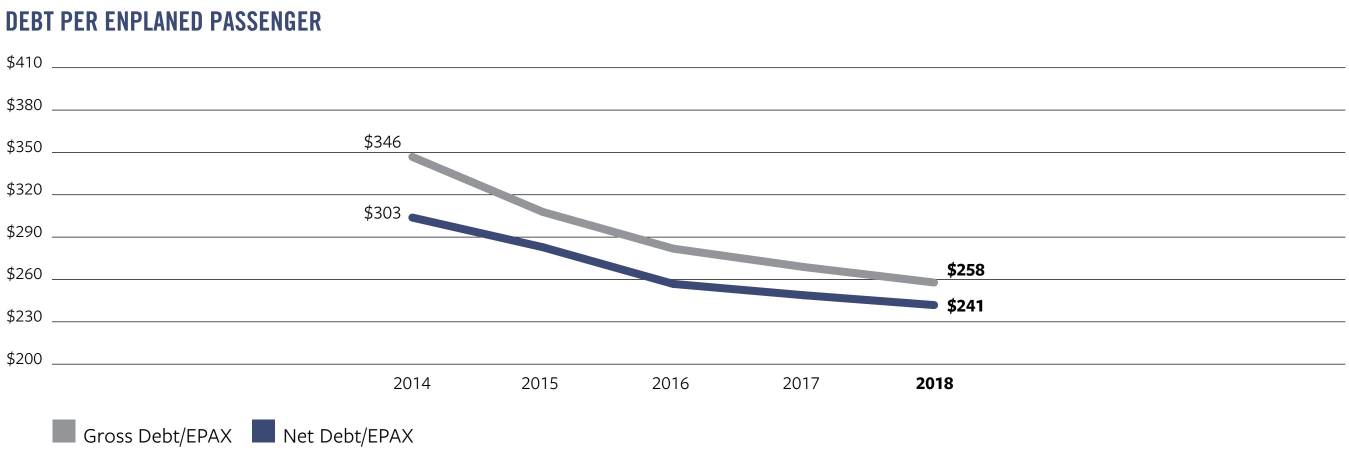
EBITDA over interest costs improved during 2018 when compared to 2017 by 0.18 times to 2.29 times. EBITDA over interest costs is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Net Debt increased by $114.5 million to $6.0 billion as at December 31, 2018 when compared to December 31, 2017 as a result of the GTAA's higher capital expenditures and Airway Centre Inc.'s commercial property acquisitions offset by a reduction in restricted funds and cash generated from operations. Net Debt is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The following chart tracks the GTAA's reduction of gross debt over the last five years from $6.7 billion in 2014 to $6.4 billion in 2018 and an increase in net debt from $5.8 billion in 2014 to $6.0 billion in 2018.



The GTAA's total debt per enplaned passenger, one of the airport industry's key financial metrics, declined from $346 in 2014 to $258 in 2018, and net debt per enplaned passenger declined from $303 in 2014 to $241 in 2018. The GTAA's debt per enplaned passenger has been on a downward trajectory over the last several years as illustrated in the following chart. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.



On February 7, 2018, the GTAA exercised its right to redeem all $522.0 million of the outstanding Series 2009-1 MTNs on Redemption Date. The Series 2009-1 MTNs had an original maturity date of November 20, 2019. The redemption price, determined in accordance with the provisions of the Trust Indenture, was calculated on March 26, 2018. The redemption price, which included a $28.7 million early retirement of debt charge, together with accrued interest was paid on the Redemption Date. To partially refinance the redemption of the Series 2009-1 MTNs, on March 29, 2018 the GTAA issued $500.0 million Series 2018-1 MTNs for net proceeds of $497.2 million.

To mitigate the impact of rising interest rates, the GTAA entered into derivative agreements in January and February of 2018 to lock in the interest rate on a notional debt amount of $500.0 million using the Government of Canada bond maturing on June 1, 2037 as its reference bond. The derivative agreements were settled on the Redemption Date, to coincide with the issuance of the Series 2018-1 MTNs, resulting in the GTAA making a cash payment of $14.7 million. In accordance with IFRS 9, the ineffective portion of the change in the fair value of the interest rate lock contract of $2.7 million was recognized in interest and financing costs on the condensed consolidated statement of operations and comprehensive (loss) income in the first quarter of 2018. The effective portion of $12.0 million was recognized in other comprehensive (loss) income and will be amortized over the remaining term of the hedged debt (19.2 years).

The GTAA refinanced the maturity of the $460.9 million Series 2008-1 MTNs on April 17, 2018 through the issuance of CP. To facilitate the issuance, the GTAA had previously increased its CP program by $500.0 million to $1.0 billion on March 23, 2018. In connection with the increase, the GTAA increased the aggregate availability under its revolving operating credit facility from $900.0 million to $1.4 billion to provide credit facility support for borrowings under the CP program. On October 5, 2018, the GTAA further increased the CP program by $400.0 million to $1.4 billion. On March 23, 2018, the GTAA has also increased its letter of credit facility from $100.0 million to $150.0 million and its pledged bond from $1.35 billion to $1.9 billion.

The GTAA's long-term debt obligations have been assigned credit ratings by Standard & Poor's Rating Service ("S&P") and Moody's Investors Service, Inc. ("Moody's") of "A+" and "Aa3", respectively. The GTAA's CP obligations have been assigned a credit rating of "R-1 (low)" and an issuer rating of "A (high)" by DBRS. Ratings are intended to provide investors with an independent view of credit quality. 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, 2018 contains more detailed information about the GTAA's credit ratings.

LIQUIDITY & CREDIT FACILITIES

($ millions)					As at December 31, 2018
Source	Currency	Expiry	Size	Drawn	Available
Cash	CAD				**22.5**
Credit Facilities:					
Revolving Operating facility[(1)]	CAD	May 21, 2021	1,400.0	–	**1,400.0**
Letter of Credit facility	CAD	May 22, 2019	150.0	99.2	**50.8**
			1,550.0	**99.2**	**1,473.3**
Commercial paper backstop[(1)]					**1,098.8**
Total net liquidity (including cash)					**374.5**
Hedge facility[(2)]	CAD	Per contract	150.0	–	**150.0**
Total credit facilities and cash			**1,700.0**	**99.2**	**524.5**

(1) At December 31, 2018, $1.1 billion of the revolving operating facility fully backstopped the $1.1 billion of outstanding CP. During 2018, the GTAA further increased the CP program by $900 million to $1.4 billion.

(2) 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 all other debt. The revolving operating credit facility and the letter of credit facility can be extended annually for one additional year with lenders' consent. The $1.4 billion revolving operating credit facility is used to fund capital projects or operating expenses, as required, and 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 revolving operating credit facility. As at December 31, 2018, $1.1 billion of CP was outstanding, no amounts were utilized from the revolving operating credit facility, $99.2 million of the $150.0 million letter of credit facility was utilized, and no amounts were secured on the $150.0 million hedge facility.

At December 31, 2018, the GTAA had a working capital deficiency of $1.4 billion, as computed by subtracting current liabilities from current assets. This consisted mainly of the $1.1 billion of outstanding CP. 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. At December 31, 2018, the GTAA had $301.2 million available for general corporate purposes and $1.1 billion available that backstopped the outstanding CP under its revolving operating credit facility. Management believes that the available credit under the revolving operating credit facility, its cash flows from operations, 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 contractual obligations 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 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.

TOTAL CONTRACTUAL OBLIGATIONS

		Payments Due by Period			
($ millions)	Total	Less than 1 Year	1 Year to 3 Years	4 Years to 5 Years	Thereafter
Accounts payable and accrued liabilities	333.3	333.3	–	–	–
Purchase Obligations[1]	918.9	462.0	270.0	117.3	69.6
Commercial Paper and short-term debt	1,100.0	1,100.0	–	–	–
Long-term debt	5,244.6	18.3	340.1	433.5	4,452.7
Interest payable on long-term debt	4,173.7	285.4	564.9	540.9	2,782.5
	11,770.5	2,199.0	1,175.0	1,091.7	7,304.8

(1) Purchase Obligations include commitments for goods and services contracts as at December 31, 2018 the GTAA entered into that are required to operate the Corporation in the ordinary course of business over the next few years. It also includes capital and property commitments of approximately $327.8 million.

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

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2018 of approximately $327.8 million, as compared to $196.3 million at December 31, 2017. The GTAA expects to fund these commitments primarily through its cash flow from operations.

The GTAA's approach to rate-setting and the generation of commercial revenues, together with the GTAA's liquidity and interest rate risk management practices, enables it to manage its debt levels and debt service costs. In the past, the GTAA has redeemed certain of its debt prior to its scheduled maturity and may do so in the future. In addition, the GTAA may from time to time seek to retire or purchase any outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such redemptions and purchases, if any, will depend on excess cash and reserve balances, prevailing market conditions, and other factors. These activities are intended to reduce the gross amount of the GTAA's outstanding debt gradually and thereby reduce the GTAA's annual net interest expense. As of the date of this report, the GTAA does not expect to purchase and cancel additional outstanding debt in the near term.

An overall Capital Markets Platform has been established by the GTAA with the Trust Indenture 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 will continue to access the capital markets to fund capital programs and to refinance maturing debt as and when needed.

The objective of the GTAA's investment and cash management strategy is to ensure that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The GTAA monitors its cash flow requirements accordingly. Given the availability of its credit facilities, its restricted fund balances, the ability to access the capital markets, and its projected operating cash flows, the GTAA does not anticipate any funding shortfalls in 2019. There may, however, be events outside of the control of the GTAA that could have a negative impact on its liquidity. Refer to the "Risk Factors" section for further details.

A measure of the GTAA's ability to service its indebtedness is its ability to comply with certain covenants in the Trust Indenture. The Trust Indenture 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 at least 125 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the Trust Indenture). The GTAA sets its rates and charges, fees, and rentals so that these two covenants under the Trust Indenture are met. Both covenant tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets. In 2018, the GTAA's operating covenant ratio was 135.9 per cent, which is above the minimum requirement of 100 per cent and the debt service covenant ratio was 148.5 per cent, which is above the minimum requirement of 125 per cent, both under the Trust Indenture.

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 IFRS, and they are referred to as non-GAAP measures which may not have any standardized meaning, they are common benchmarks in the industry, and are used by the GTAA in assessing its operating results, including operating profitability, cash flow and investment program.

Adjusted Net Income

Adjusted net income is defined as net income before the early retirement of debt charge, the remaining unamortized bond premium, and the loss on the cash flow hedge.

EBITDA and EBITDA Margin

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

EBITDA over Interest Costs

EBITDA over interest costs is defined as EBITDA divided by interest and financing costs paid, net of interest income (excluding non-cash items), for the year ended December 31, 2018. EBITDA over interest costs is used to assess the cash flow risk and is a commonly used ratio to measure the ability to meet interest expenses.

Free Cash Flow

Free cash flow ("FCF") is cash flow from operating activities per the consolidated statements of cash flows less capital expenditures (projects and property acquisitions) 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 Pearson.

Net Debt

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

Net Debt per Enplaned Passenger

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of the GTAA and changes thereto are set out in Notes 3 and 4, respectively, of the Consolidated Financial Statements as at December 31, 2018 and 2017. These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, Malton Gateway Inc. and Airway Centre Inc. All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

The GTAA has adopted the following new and revised standards effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

a) Amendment to IAS 40, *Investment Property*:

This standard was amended to clarify that to transfer to, or from, investment property there must be a change in use of assets supported by evidence. The adoption of the amendment did not have an impact on the consolidated financial statements.

b) IFRS 15, *Revenue from Contracts with Customers*:

The GTAA adopted IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018. In accordance with the transitional provisions set out in the standard, the GTAA has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. As a result of the adoption of the standard, the GTAA is now reporting the administration fee charged on AIF in goods and services expense rather than netted off against AIF revenue. For 2018, this reallocation resulted in an increase in revenue of $18.4 million (December 31, 2017 – $17.4 million) and a corresponding increase in goods and services expense of $18.4 million (December 31, 2017 – $17.4 million). This reallocation did not have an impact on net income. No other areas including cash flow were significantly impacted by the adoption of the new standard.

There were no significant impacts to the GTAA's revenue recognition policies as a result of adopting IFRS 15. The GTAA recognizes revenue when it transfers control over a product or service to a customer and revenue is measured at the transaction price agreed under the contract. The GTAA does not currently have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the GTAA is not required to adjust any of the transaction prices for the time value of money.

c) IFRS 9, *Financial Instruments*:

The GTAA adopted IFRS 9, *Financial Instruments* ("IFRS 9"), effective January 1, 2018. In accordance with the transitional provisions set out in the standard, the GTAA has adopted the new rules without restating prior year comparative information. This standard replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 did not have a financial impact on the consolidated financial statements. It did however result in changes in accounting policies as set out below.

Effective January 1, 2018, the GTAA classifies its financial assets in the measurement categories outlined below. The classification depends on an entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.

(ii) Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest.

(iii) Fair value through profit and loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The GTAA classifies its financial liabilities at amortized cost.

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

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

Impact on Adoption

(a) Reclassification of Assets – On January 1, 2018, management has assessed which business models apply to the financial asset held by the GTAA and has classified its financial instruments into the appropriate IFRS 9 categories. Cash and accounts receivable were reclassified from the loans and receivable category under IAS 39 to the amortized cost category under IFRS 9. Restricted funds were reclassified from the available-for-sale category under IAS 39 to the amortized cost category under IFRS 9. There were no reclassifications of financial liabilities. The reclassification did not have an impact on the consolidated financial statements.

(b) Impairment of Financial Assets – Effective January 1, 2018, the GTAA assesses on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The GTAA uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the GTAA's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The GTAA has three types of financial assets that are subject to IFRS 9's new expected credit loss model: cash, accounts receivable and restricted funds. The GTAA was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade receivables, the GTAA applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition on the receivables. Applying the expected credit risk model to cash, accounts receivable and restricted funds did not have a significant impact on the consolidated financial statements upon adoption of IFRS 9.

d) Amendments to IFRS 7, *Financial Instruments: Disclosure*:

The GTAA has adopted the standard and has reflected the significant required disclosures in the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

a) IFRS 16, *Leases*:

This standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will replace the current IAS 17, *Leases*. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The accounting for lessors will not significantly change. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has assessed the impact of the new standard on the Ground Lease. The GTAA expects no impact on the consolidated financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue, and therefore the expense will continue to be recognized in the consolidated statements of operations and comprehensive income on an accrual basis. The GTAA has also evaluated the impact of this standard with respect to other leases and subleases and has concluded that the standard would require that the full value of certain subleases flow through the statement of operations and comprehensive income in the year in which the contract is executed. The GTAA is in the final stages of assessing subleases.

b) Amendments to IAS 19, *Employee Benefits*:

This standard was amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements, or curtailments. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements at this time.

c) Amendments to IAS 23, *Borrowing Costs*:

These amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements.

d) Amendments to IFRS 9, *Financial Instruments*:

This standard is amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most such modifications will result in immediate recognition of a gain or loss. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements.

RELATED PARTY TRANSACTIONS

At December 31, 2018, the GTAA had normal course transactions with key management personnel in the ordinary course of their employment with the GTAA. Key management includes the CEO, the CFO and the Vice Presidents of the GTAA. The GTAA's Board of Directors collectively oversees the management and operation of the Airport. The Board members are, for the purposes hereof, also considered key management. The GTAA also had normal course transactions with members of the Board of Directors with respect to compensation paid to Board members in connection with their role as a director.

INTERNAL CONTROLS AND PROCEDURES

In compliance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, the GTAA has filed certificates signed by the President and Chief Executive Officer and Chief Financial Officer that, among other things, report on management's design of disclosure controls and procedures and internal controls over financial reporting. No changes were made in internal controls over financial reporting during the last quarter and for the year ended December 31, 2018 that have materially affected or, are reasonably likely to materially affect the GTAA'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 to instill risk awareness among employees and provide a disciplined approach to identify, assess, treat and manage risks. An enterprise-wide approach enables business and external risks to be managed and aligned with the GTAA's strategic goals.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking 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", "intend", "estimate", "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking information. Specific forward-looking information in this MD&A includes, among others, statements regarding the following: expected growth in passenger volumes; additional investment in the Airport including with respect to physical infrastructure; the GTAA's business strategy and highlights; expected growth in domestic and international passenger traffic and cargo; future growth in Airport demand or activity; the GTAA's capital borrowing requirements and program and its ability to access the capital markets; ability to comply with covenant ratios; airline load factors and fleet mix; the GTAA's rate-setting methodology and its relationship to financial and corporate sustainability and debt levels and service costs; revenues, cash flows, working capital and liquidity including the GTAA's ability to mitigate any working capital deficiency and no funding shortfalls in 2019; reductions in average air carrier's cost per enplaned passenger; the mega hub strategy; 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 including the new concourse and processor expansion, passenger terminal processor, and the regional transit and passenger centre; the redemption or purchase of outstanding debt and associated savings in net interest and financing costs; 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, the following: long-term growth in population, employment and personal income will provide the basis for increased aviation demand in the GTA; the Canadian, U.S. and global economies will grow at expected levels; air carrier capacity will meet the demand for air travel in the GTA; the growth and sustainability of air carriers will contribute to aviation demand in the GTA; the GTA will continue to attract domestic and international travellers; the commercial aviation industry will not be significantly affected by terrorism or the threat of terrorism; the cost of enhancing aviation security will not overly burden air carriers, passengers, shippers or the GTAA; no significant event will occur that has an impact on the ordinary course of business such as a natural disaster or other calamity; the GTAA will be able to access the capital markets at competitive terms and rates; and there are no significant cost over-runs or delays relating to capital programs. 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, among other things, continuing volatility in current and future economic activity; high rates of unemployment and household debt; reduced levels of aviation activity; air carrier instability; the availability of aviation liability and other insurance; the timing of recovery of receipt of insurance proceeds; construction risk; geopolitical unrest; terrorist attacks and the threat of terrorist attacks; war; health epidemics; labour disputes; capital market conditions; currency fluctuations; changes in laws; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; loss of commercial revenues; the availability and cost of jet fuel; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental issues; lawsuits; and other risks detailed from time to time in the GTAA's publicly filed disclosure documents.

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

Management's Responsibility for Financial Reporting

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

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

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

Howard Eng
President and Chief Executive Officer

Ian Clarke
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors of Greater Toronto Airports Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Greater Toronto Airports Authority and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of operations and comprehensive income for the years then ended;
- the consolidated statements of changes in deficit and accumulated other comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 20, 2019

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	**2018**	2017
	$	$
Assets		
Current Assets		
Cash	**22,530**	12,187
Restricted funds (Note 6)	**60,608**	99,121
Accounts receivable (Note 7)	**87,211**	69,350
Prepaids	**4,987**	5,769
Inventory	**11,215**	9,297
	186,551	195,724
Non-current Assets		
Restricted funds (Note 6)	**328,128**	355,852
Intangibles and other assets (Note 8)	**85,185**	78,209
Property and equipment (Note 9)	**5,309,278**	5,187,763
Investment property (Note 10)	**475,701**	304,549
Post-employment benefit asset (Note 13)	**52,711**	64,135
	6,437,554	6,186,232
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 18)	**333,254**	235,960
Security deposits and deferred revenue	**84,836**	79,612
Current portion of long-term debt and other borrowings (Note 11)	**1,173,246**	1,066,208
	1,591,336	1,381,780
Non-current Liabilities		
Deferred credit (Note 8)	**15,598**	17,800
Post-employment benefit liabilities (Note 13)	**7,121**	6,352
Long-term debt (Note 11)	**5,197,009**	5,245,606
	6,811,064	6,651,538
Deficit and Accumulated other comprehensive loss	**(373,510)**	(465,306)
	6,437,554	6,186,232

Commitments and contingent liabilities (Note 15)

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

Signed on Behalf of the Board

W. David Wilson
Director

Signed on Behalf of the Board

Roger Mahabir
Director

Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31 (in thousands of Canadian dollars)	2018	2017 Reclassified (Note 4(b))
	$	$
Revenues (Note 17)		
Landing fees	**318,533**	312,216
General terminal charges	**191,261**	188,775
Airport improvement fees	**459,964**	436,116
Car parking and ground transportation	**191,800**	177,729
Concessions	**144,276**	129,086
Rentals	**133,309**	112,309
Other	**32,585**	31,455
	1,471,728	1,387,686
Operating Expenses		
Ground rent (Note 1 and 12)	**165,249**	156,938
Goods and services (Note 19)	**356,156**	314,882
Salaries, wages and benefits	**191,915**	175,706
Payments-in-lieu of real property taxes	**37,792**	36,344
Amortization of property and equipment (Note 9)	**268,548**	259,861
Amortization of intangibles (Note 8)	**1,226**	640
Amortization of investment property (Note 10)	**7,200**	4,091
	1,028,086	948,462
Earnings before interest and financing costs, net	**443,642**	439,224
Interest income	**8,021**	8,106
Interest expense on debt instruments and other financing costs	**(306,576)**	(335,177)
Early retirement of debt charge	**(28,698)**	–
Loss on cash flow hedge	**(2,686)**	–
Interest and financing costs, net (Note 11)	**(329,939)**	(327,071)
Net Income	**113,703**	112,153
Items that may be reclassified subsequently to Net Income:		
Amortization of terminated hedges and interest rate swap	**2,454**	1,985
Loss on cash flow hedge	**(12,047)**	–
Items that may not be reclassified subsequently to Net Income:		
Pension remeasurements (Note 13)	**(12,314)**	6,711
Other Comprehensive (Loss) Income	**(21,907)**	8,696
Total Comprehensive Income	**91,796**	120,849

Related party transactions and balances (Note 14)

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

Consolidated Statements of Changes in Deficit and Accumulated Other Comprehensive (Loss) Income

Year Ended December 31, 2018 (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total**
	$	**$**	**$**
Balance, January 1, 2018	**(450,579)**	**(14,727)**	**(465,306)**
Net Income	**113,703**	**–**	**113,703**
Amortization of terminated hedges and interest rate swap	**–**	**2,454**	**2,454**
Loss on cash flow hedge	**–**	**(12,047)**	**(12,047)**
Pension remeasurements	**(12,314)**	**–**	**(12,314)**
Total Comprehensive Income (Loss) for the year	**101,389**	**(9,593)**	**91,796**
Balance, December 31, 2018	**(349,190)**	**(24,320)**	**(373,510)**

Year Ended December 31, 2017 (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	$	$	$
Balance, January 1, 2017	(569,443)	(16,712)	(586,155)
Net Income	112,153	–	112,153
Amortization of terminated hedges and interest rate swap	–	1,985	1,985
Pension remeasurements	6,711	–	6,711
Total Comprehensive Income for the year	118,864	1,985	120,849
Balance, December 31, 2017	(450,579)	(14,727)	(465,306)

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

Consolidated Statements of Cash Flows

Years Ended December 31 (in thousands of Canadian dollars)	**2018**	2017
	$	$
Cash Flows from (used in) Operating Activities		
Net Income	**113,703**	112,153
Adjustments for:		
Amortization of property and equipment	**268,548**	259,861
Amortization of investment property	**7,200**	4,091
Amortization of intangibles and other assets	**6,322**	5,862
Net loss on disposal of property and equipment and intangible assets	**355**	129
Post-employment benefit plans	**(121)**	(1,774)
Interest and financing costs, net	**329,939**	327,071
Amortization of deferred credit	**(2,202)**	(2,203)
Changes in working capital:		
Restricted cash	**–**	5,911
Accounts receivable	**(17,861)**	(1,054)
Prepaids	**782**	(2,579)
Inventory	**(1,918)**	(2)
Accounts payable and accrued liabilities	**20,621**	21,981
Security deposits and deferred revenue	**5,224**	(4,975)
	730,592	724,472
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	**(319,399)**	(279,356)
Acquisition of investment property	**(178,352)**	(286,528)
Proceeds on disposal of property and equipment	**66**	77
Decrease in restricted funds	**66,237**	22,015
	(431,448)	(543,792)
Cash Flows from (used in) Financing Activities		
Issuance of medium term notes and long-term debt	**496,267**	–
Repayment of medium term notes and long-term debt	**(1,000,052)**	(431,983)
(Repayment) Draw on credit facility	**(25,000)**	25,000
Issuance of other current borrowings	**597,424**	498,981
Interest paid and other financing costs, net	**(314,009)**	(334,272)
Payment of early retirement of debt charge	**(28,698)**	–
Payment on termination of cash flow hedge	**(14,733)**	–
	(288,801)	(242,274)
Net Cash Inflow (Outflow)	**10,343**	(61,594)
Cash, beginning of year	**12,187**	73,781
Cash, end of year	**22,530**	12,187

See Note 11, Credit Facilities and Long-Term Debt for supplemental cash flow information.

As at December 31, 2018, cash consisted of cash of $23.7 million (December 31, 2017 – $13.8 million) less outstanding cheques of $1.2 million (December 31, 2017 – $1.6 million).

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

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017
(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

1. GENERAL INFORMATION

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

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

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. Five Members are municipal nominees. Each of the regional municipalities of York, Halton, Peel, Durham and the City of Toronto are entitled to provide the names of up to three nominees, and the Board issues a membership to one of the nominees for each of the five available positions as a municipally nominated Member. In addition, the Government of Canada and the Province of Ontario are entitled to nominate two Members and one Member, respectively.

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

Airport Subject to Ground Lease

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

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

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

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

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

The Ground Lease has a term of 60 years, with one renewal term of 20 years.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook for the Chartered Professional Accountants of Canada. These consolidated financial statements were approved by the Board of Directors on March 20, 2019.

In applying the GTAA's accounting policies, as described in Note 3, Significant Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5, Critical Accounting Judgements and Key Source of Estimation Uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of Measurement

The consolidated financial statements have been prepared on a going-concern basis under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities measured at fair value.

Principles of Consolidation

These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, Malton Gateway Inc. and Airway Centre Inc. Malton Gateway Inc. was incorporated in April 2017 and holds the shares of Airway Centre Inc. Airway Centre Inc. 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.

All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

Segment Reporting

The GTAA consists of two operating segments however the second operating segment does not meet the quantitative thresholds to be considered a reportable segment as defined by IFRS 8, *Operating Segments*.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the GTAA's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the GTAA's functional currency are recognized in the consolidated statements of operations and comprehensive income.

Cash and Cash Equivalents

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

Inventory

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

Financial Instruments

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

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

(i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:

  (a) the financial asset is held in order to collect contractual cash flows; and

  (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Fair value through other comprehensive income: A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

  (a) the financial asset is held to collect contractual cash flows and selling financial assets; and

  (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

(iii) Fair value through profit or loss: A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, security deposits, and long-term debt. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred and discounts/premiums, and subsequently recorded at amortized cost using the effective interest method.

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

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

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

As at December 31, 2018, the GTAA had no derivative instruments outstanding that have been designated as a hedge. However, certain gains and losses relating to terminated hedging instruments are being amortized to the consolidated statements of operations and comprehensive income over the term to maturity of the previously hedged item (see Note 16, Financial Instruments).

Impairment of Financial Assets

At each reporting date, the GTAA assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the GTAA recognizes an impairment loss.

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

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

Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Ground Lease is accounted for as an operating lease (see Note 12, Leases).

Intangibles and Other Assets

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

Computer software costs are capitalized and amortized on a straight-line basis in amortization of intangible assets in the consolidated statements of operations and comprehensive income over the period of their expected useful lives, which range from three to 20 years.

Deferred leasehold inducements are capitalized and amortized on a straight-line basis over the term of the respective lease. Amortization is netted against concessions revenue in the consolidated statements of operations and comprehensive income.

Property and Equipment

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

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

Property and equipment are amortized at the following annual rates:

Buildings and structures ("Terminal and Airside assets")	Straight-line over one to 60 years
Bridges and approach systems ("Terminal and Airside assets")	Straight-line over five to 25 years
Baggage handling systems	Straight-line over 18 to 25 years
Improvements to leased land	Straight-line over the remaining term of the Ground Lease
Runways and taxiways ("Terminal and Airside assets")	Straight-line over 10 to 40 years
Airport operating assets	Straight-line over two to 40 years

The GTAA allocates the amount initially recognized with respect to an item of property and equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of goods and services expense in the consolidated statements of operations and comprehensive income.

Assets under construction are transferred to property and equipment when the asset is available for use, and amortization commences at that time.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in interest and financing costs in the consolidated statements of operations and comprehensive income in the period in which they are incurred.

Investment Property

Investment property is property held for capital appreciation and/or to earn rental income. Property is stated at historical cost less accumulated amortization and any recognized impairment loss, with the exception of land, which is recorded at cost less any accumulated impairment loss.

Amortization on investment property assets is calculated using the straight-line method to allocate an asset's cost over its estimated useful life. Amortization rates for each significant component range from two to 50 years.

Investment property is derecognized either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statements of operations and comprehensive income in the period of derecognition. Transfers are made to or from the investment property category only when there is a change in use.

Payments-in-lieu of Real Property Taxes

The GTAA is exempt from the payment of real property taxes under the *Assessment Act* (*Ontario*), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year and is subject to a maximum annual increase under the *Assessment Act*. The properties held by Airway Centre Inc. are not subject to PILT, and Airway Centre Inc. and its tenants pay municipal real property taxes in the ordinary course.

Revenue Recognition

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

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

Post-employment Benefit Obligations

The GTAA maintains defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans for its employees. The cost of defined contribution pension plans is charged to expense as they are earned by employees. The cost of defined benefit plans and other post-employment benefit plans is determined using the projected unit credit method. The related pension asset/liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation as at the consolidated statements of financial position date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Actuarial valuations for defined benefit plans and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive (loss) income without recycling to the consolidated statements of operations and comprehensive income in subsequent periods.

Past service costs are recognized in net income when incurred.

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

Provisions

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

Deferred Financing Costs

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

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The GTAA has adopted the following new and revised standards effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

a) Amendment to IAS 40, *Investment Property*:

This standard was amended to clarify that to transfer to, or from, investment property, there must be a change in use of assets supported by evidence. The adoption of the amendment did not have an impact on the consolidated financial statements.

b) IFRS 15, *Revenue from Contracts with Customers*:

The GTAA adopted IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018. In accordance with the transitional provisions set out in the standard, the GTAA has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. As a result of the adoption of the standard, the GTAA is now reporting the administration fee charged on AIF in goods and services expense rather than netted off against AIF revenue. For 2018, this reallocation resulted in an increase in revenue of $18.4 million (December 31, 2017 – $17.4 million) and a corresponding increase in goods and services expense of $18.4 million (December 2017 – $17.4 million). This reallocation did not have an impact on net income. No other areas including cash flow were significantly impacted by the adoption of the new standard.

There were no significant impacts to the GTAA's revenue recognition policies as a result of adopting IFRS 15.

c) IFRS 9, *Financial Instruments*:

The GTAA adopted IFRS 9, *Financial Instruments* ("IFRS 9"), effective January 1, 2018. In accordance with the transitional provisions set out in the standard, the GTAA has adopted the new rules without restating prior year comparative information. This standard replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 did not have a financial impact on the consolidated financial statements. It did, however, result in changes in accounting policies as set out below.

Effective January 1, 2018, the GTAA classifies its financial assets in the measurement categories outlined in Note 3, Significant Accounting Policies.

Impact on Adoption

(a) Reclassification of Assets – On January 1, 2018, management has assessed which business models apply to the financial asset held by the GTAA and has classified its financial instruments into the appropriate IFRS 9 categories. Cash and accounts receivable were reclassified from the loans and receivable category under IAS 39 to the amortized cost category under IFRS 9. Restricted funds were reclassified from the available-for-sale category under IAS 39 to the amortized cost category under IFRS 9. There were no reclassifications of financial liabilities. These reclassifications did not have an impact on the consolidated financial statements.

(b) Impairment of Financial Assets – Effective January 1, 2018, the GTAA assesses on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The GTAA uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the GTAA's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The GTAA has three types of financial assets that are subject to IFRS 9's new expected credit loss model: cash, accounts receivable and restricted funds. The GTAA was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade receivables, the GTAA applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition on the receivables. Applying the expected credit risk model to cash, accounts receivable and restricted funds did not have a significant impact on the consolidated financial statements upon adoption of IFRS 9.

d) Amendments to IFRS 7, *Financial Instruments: Disclosure*:

The GTAA has adopted the standard and has reflected the significant required disclosures in the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

a) IFRS 16, *Leases*:

This standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will replace the current IAS 17, *Leases*. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The accounting for lessors will not significantly change. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has assessed the impact of the new standard on the Ground Lease. The GTAA expects no impact on the consolidated financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue, and therefore, the expense will continue to be recognized in the consolidated statements of operations and comprehensive income on an accrual basis. The GTAA has also evaluated the impact of this standard with respect to other leases and subleases and has concluded that the standard would require that the full value of certain subleases flow through the statement of operations and comprehensive income in the year in which the contract is executed. The GTAA is in the final stages of assessing subleases.

b) Amendments to IAS 19, *Employee Benefits*:

This standard was amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements or curtailments. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements at this time.

c) Amendments to IAS 23, *Borrowing Costs*:

These amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements.

d) Amendments to IFRS 9, *Financial Instruments*:

This standard is amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most such modifications will result in immediate recognition of a gain or loss. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the consolidated financial statements.

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

These standards were amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

f) Amendments to IFRS 3, *Business Combinations*:

This standard was amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The GTAA has not yet assessed the impact of the amendments on the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In applying the GTAA's accounting policies, which are described in Note 3, Significant Accounting Policies.

Critical Judgements in Applying Accounting Policies

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

Property and Equipment, Intangibles, Other Assets and Investment Property

Critical judgements are utilized in determining when an item of property and equipment, intangibles, other assets and investment property are available for use as intended by management as well as in determining amortization rates and useful lives of these assets and whether impairments are necessary. Critical judgement is also exercised in determining whether an acquisition of investment property or group of investment properties should be accounted for as an asset acquisition or a business combination.

IFRIC 12, *Service Concession Arrangements*

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

Key Source of Estimation Uncertainty

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

Post-employment Benefit Obligations

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

6. RESTRICTED FUNDS

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("Trust Indenture") dated December 2, 1997, as supplemented or amended from time to time, or Medium-Term Note ("MTN") offering documents, and which consist of the Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds. These funds are invested in cash or eligible short-term financial assets with less than one year to maturity as follows:

As at December 31	**2018**	2017
	$	$
Debt Service Fund		
Principal	**7,629**	14,141
Interest	**52,979**	58,552
	60,608	72,693
Debt Service Reserve Funds		
Revenue Bonds		
Series 1997–3 due December 3, 2027	**36,943**	36,953
Series 1999–1 due July 30, 2029	**40,204**	40,211
Medium-Term Notes		
Series 2000–1 due June 12, 2030	**38,649**	38,631
Series 2001–1 due June 4, 2031	**35,139**	35,146
Series 2002–3 due October 15, 2032	**38,742**	38,345
Series 2004–1 due February 2, 2034	**38,912**	39,171
Series 2008–1 due April 17, 2018	**–**	26,428
Series 2009–1 due November 20, 2019	**–**	35,985
Series 2010–1 due June 7, 2040	**22,598**	22,613
Series 2011–1 due February 25, 2041	**31,944**	32,188
Series 2011–2 due December 2, 2041	**18,178**	18,257
Series 2012–1 due September 21, 2022	**12,146**	12,208
Series 2016–1 due February 16, 2021	**2,293**	2,285
Series 2018–1 due June 1, 2037	**8,181**	–
Security for Bank Indebtedness		
Series 1997–B Pledged Bond	**–**	3,859
Series 1997–C Pledged Bond	**4,199**	–
	328,128	382,280
	388,736	454,973
Less: Current portion	**(60,608)**	(99,121)
	328,128	355,852

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

	2018	2017
	$	$
Cash	69,098	345,638
Guaranteed Investment Certificates	319,638	109,335
	388,736	454,973

Trust Funds

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

(i) Debt Service Fund (Principal and Interest)

Amounts in the Debt Service Fund are allocated to either a Principal Account or an Interest Account. Amounts in the Debt Service Fund are disbursed by the Trustee to pay interest and principal as they become due. On a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. During 2018, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2018 was $7.6 million (December 31, 2017 – $14.1 million).

During 2018, principal of $27.6 million (December 31, 2017 – $26.0 million) was paid from the Principal Account of the Debt Service Fund, and $21.1 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999–1 and MTNs (December 31, 2017 – $27.6 million).

Also, on a monthly basis, the GTAA is required to deposit into the Interest Account an amount equal to one-sixth of the semi-annual aggregate interest requirement due on all outstanding bonds and MTNs. The fund balance as of December 31, 2018 was $53.0 million (December 31, 2017 – $58.6 million).

(ii) Debt Service Reserve Funds

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

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

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

Operations, Capital and Financing Funds

The GTAA has established an Operating and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund pursuant to the Trust Indenture. The Operating and Maintenance Reserve Fund is calculated as one-sixth of the projected operating and maintenance expenses estimated for the following fiscal year. As at December 31, 2018, this fund was secured by a letter of credit of $93.0 million (December 31, 2017 – $76.0 million). This amount is to be used only for operating and maintenance expenses or other purposes as required for the safe, ongoing operation and maintenance of the Airport as set out in the Trust Indenture. The Renewal and Replacement Reserve Fund is also secured by a letter of credit of $3.0 million (December 31, 2017 – $3.0 million). This amount is to be used for unanticipated repairs to, or the replacement of, property and equipment as set out in the Trust Indenture.

7. ACCOUNTS RECEIVABLE

As at December 31	**2018**	2017
	$	$
Trade accounts receivable	**76,639**	56,435
Less: Allowance for doubtful accounts	**(589)**	(422)
Trade accounts receivable, net	**76,050**	56,013
Other receivables	**11,161**	13,337
Total accounts receivable	**87,211**	69,350

Included in trade accounts receivable and other receivables is $19.2 million due from Canadian Air Transportation Security Authority (December 31, 2017 – $11.8 million) which is a related party. No provision has been made against these receivables.

8. INTANGIBLES AND OTHER ASSETS

			December 31, 2018
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Land acquisition costs	**50,763**	**(10,270)**	**40,493**
Computer software	**23,931**	**(7,778)**	**16,153**
Clean Energy Supply contract (“CES Contract”)	**44,655**	**(16,116)**	**28,539**
	119,349	**(34,164)**	**85,185**

			December 31, 2017
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Deferred leasehold inducements	6,107	(6,107)	–
Land acquisition costs	50,763	(9,203)	41,560
Computer software	10,633	(6,552)	4,081
Clean Energy Supply contract (“CES Contract”)	44,655	(12,087)	32,568
	112,158	(33,949)	78,209

The aggregate amortization expense with respect to deferred leasehold inducements for 2018 was $nil (2017 – $0.1 million) and is netted against concessions revenue in the consolidated statements of operations and comprehensive income.

The aggregate amortization expense with respect to land acquisition costs for 2018 was $1.1 million (2017 – $1.1 million) and is included in ground rent expense in the consolidated statements of operations and comprehensive income.

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

	Land Acquisition Costs	Computer Software	Total
	$	$	$
Balance, January 1, 2018	**41,560**	**4,081**	**45,641**
Additions	**–**	**13,298**	**13,298**
Amortization expense	**(1,067)**	**(1,226)**	**(2,293)**
Balance, December 31, 2018	**40,493**	**16,153**	**56,646**
Balance, January 1, 2017	44,982	4,721	49,703
Additions	–	–	–
Adjustments	(2,355)	–	(2,355)
Amortization expense	(1,067)	(640)	(1,707)
Balance, December 31, 2017	41,560	4,081	45,641

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

The carrying value of the CES Contract, which was evaluated at $44.6 million, is being amortized on a straight-line basis over the remaining term of the contract. The amortization expense with respect to the CES Contract value for 2018 was $4.0 million (2017 – $4.0 million) and is included in the goods and services expense in the consolidated statements of operations and comprehensive income.

The GTAA also recorded a deferred credit of $44.0 million, which is being amortized on a straight-line basis, over the term of 20 years. The unamortized balance at December 31, 2018 was $15.6 million (December 31, 2017 – $17.8 million). During 2018, the reduction of the unamortized liability of $2.2 million (December 31, 2017 – $2.2 million) was recorded as a reduction to goods and services expense in the consolidated statements of operations and comprehensive income.

9. PROPERTY AND EQUIPMENT

Property and equipment are composed of:

							December 31, 2018
	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	**6,465,969**	**375,159**	**9,480**	**519,113**	**703,057**	**183,364**	**8,256,142**
Additions	**460**	**–**	**–**	**–**	**–**	**390,023**	**390,483**
Disposals	**(378)**	**–**	**–**	**–**	**(1,892)**	**–**	**(2,270)**
Transfers	**92,797**	**21,648**	**–**	**18,685**	**52,712**	**(185,842)**	**–**
Balance, end of year	**6,558,848**	**396,807**	**9,480**	**537,798**	**753,877**	**387,545**	**8,644,355**
Accumulated amortization							
Balance, beginning of year	**2,313,999**	**185,674**	**3,326**	**193,726**	**371,654**	**–**	**3,068,379**
Amortization expense	**176,546**	**14,348**	**158**	**19,100**	**58,396**	**–**	**268,548**
Disposals	**–**	**–**	**–**	**–**	**(1,850)**	**–**	**(1,850)**
Transfers	**251**	**–**	**–**	**–**	**(251)**	**–**	**–**
Balance, end of year	**2,490,796**	**200,022**	**3,484**	**212,826**	**427,949**	**–**	**3,335,077**
Net book value, end of year	**4,068,052**	**196,785**	**5,996**	**324,972**	**325,928**	**387,545**	**5,309,278**

							December 31, 2017
	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	6,332,706	346,661	9,480	488,751	648,214	186,262	8,012,074
Additions	153	–	–	–	–	279,452	279,605
Disposals	(19,563)	–	–	(111)	(15,863)	–	(35,537)
Transfers	152,673	28,498	–	30,473	70,706	(282,350)	–
Balance, end of year	6,465,969	375,159	9,480	519,113	703,057	183,364	8,256,142
Accumulated amortization							
Balance, beginning of year	2,164,903	172,606	3,168	175,325	327,849	–	2,843,851
Amortization expense	168,515	13,068	158	18,512	59,608	–	259,861
Disposals	(19,404)	–	–	(111)	(15,818)	–	(35,333)
Transfers	(15)	–	–	–	15	–	–
Balance, end of year	2,313,999	185,674	3,326	193,726	371,654	–	3,068,379
Net book value, end of year	4,151,970	189,485	6,154	325,387	331,403	183,364	5,187,763

As at December 31, 2018, $387.5 million (December 31, 2017 – $183.4 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $6.5 million (December 31, 2017 – $3.2 million) of capitalized interest. During the year, borrowing costs were capitalized at the rate of 5.0 per cent, which represents the weighted-average rate of the GTAA's general borrowings (2017 – 5.6 per cent).

10. INVESTMENT PROPERTY

As at December 31	**2018**	2017
	$	$
Cost		
Balance, beginning of year	**314,968**	26,085
Additions	**178,352**	288,883
Balance, end of year	**493,320**	314,968
Accumulated amortization		
Balance, beginning of year	**10,419**	6,328
Amortization expense	**7,200**	4,091
Balance, end of year	**17,619**	10,419
Net book value, end of year	**475,701**	304,549

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

Commercial property acquisitions and office space and building improvements by Airway Centre Inc. during the year were $178.4 million (December 31, 2017 – $288.9 million). They were accounted for as asset acquisitions in accordance with IFRS and are included in investment property on the consolidated statements of financial position. These commercial properties are subject to municipal real property taxes.

The carrying amount of the flight simulator facility approximates its fair value as at December 31, 2018. The fair value is within category Level 3 of the fair value hierarchy.

The cost of the commercial properties acquired during the year approximate their fair value as at December 31, 2018. An independent valuation was done for the properties acquired in 2017. The total fair value of all commercial properties was $486.6 million as at December 31, 2018. The fair values are within category Level 2 of the fair value hierarchy.

The fair value of all investment property is estimated annually.

For the year ended December 31, 2018, the commercial properties generated $26.2 million (December 31, 2017 – $11.0 million) in rental revenue and incurred $18.0 million (December 31, 2017 – $8.0 million) in direct operating expenses.

11. CREDIT FACILITIES AND LONG-TERM DEBT

As at December 31, 2018, net book value of long-term debt and other borrowings, including accrued interest, net of unamortized discounts and premiums, consisted of:

Series	Coupon Rate	Maturity Date	Principal Amount	2018	2017
Revenue Bonds			$	**$**	$
1997–3	6.45%	December 3, 2027	321,500	**320,239**	320,025
1999–1	6.45%	July 30, 2029	279,920	**286,009**	303,426
Medium-Term Notes					
2000–1	7.05%	June 12, 2030	526,550	**527,195**	527,151
2001–1	7.10%	June 4, 2031	492,150	**491,189**	491,040
2002–3	6.98%	October 15, 2032	468,960	**475,464**	475,477
2004–1	6.47%	February 2, 2034	567,428	**577,503**	577,344
2008–1	5.26%	April 17, 2018	460,900	**–**	465,790
2009–1	5.96%	November 20, 2019	522,000	**–**	531,678
2010–1	5.63%	June 7, 2040	400,000	**398,845**	398,799
2011–1	5.30%	February 25, 2041	600,000	**607,476**	607,417
2011–2	4.53%	December 2, 2041	400,000	**398,595**	398,539
2012–1	3.04%	September 21, 2022	388,000	**390,321**	390,097
2016–1	1.51%	February 16, 2021	300,000	**300,922**	300,581
2018–1	3.26%	June 1, 2037	500,000	**497,704**	–
			6,227,408	**5,271,462**	5,787,364
Credit Facility				**–**	25,000
Other current borrowings (Commercial Paper)			1,100,000	**1,098,793**	499,450
				6,370,255	6,311,814
Less: Current portion (including accrued interest)				**(1,173,246)**	(1,066,208)
				5,197,009	5,245,606

As at December 31, 2018, accrued interest included in the current portion of the long-term debt was $56.2 million (December 31, 2017 – $58.8 million).

On February 7, 2018, the GTAA exercised its right to redeem all $522.0 million of the outstanding Series 2009-1 MTNs on March 29, 2018 (the "Redemption Date"). The Series 2009-1 MTNs had an original maturity date of November 20, 2019. The redemption price, determined in accordance with the provisions of the Trust Indenture and Pricing Supplement Nos. 3 and 4 dated May 14, 2009 and October 5, 2009, respectively, was calculated on March 26, 2018. The redemption price, which included a $28.7 million early retirement of debt charge, together with accrued interest, was paid on the Redemption Date. To partially refinance the redemption of the Series 2009-1 MTNs, on March 29, 2018, the GTAA issued $500.0 million Series 2018-1 MTNs for net proceeds of $497.2 million.

To mitigate the impact of rising interest rates, the GTAA entered into derivative agreements in January and February of 2018 to lock in the interest rate on a notional debt amount of $500.0 million using the Government of Canada bond maturing on June 1, 2037 as its reference bond. The derivative agreements were settled on the Redemption Date, to coincide with the issuance of the Series 2018-1 MTNs, resulting in the GTAA making a cash payment of $14.7 million. In accordance with IFRS 9, the ineffective portion of the change in the fair value of the interest rate lock contract of $2.7 million was recognized in interest and financing costs on the consolidated statement of operations and comprehensive income. The effective portion of $12.0 million was recognized in other comprehensive (loss) income and is being amortized over the remaining term of the hedged debt (19.2 years).

The GTAA refinanced the maturity of the $460.9 million Series 2008-1 MTNs on April 17, 2018 through the issuance of commercial paper ("CP"). To facilitate the issuance, the GTAA had previously increased its CP program by $500.0 million to $1.0 billion on March 23, 2018. In connection with the increase, the GTAA increased the aggregate availability under its revolving operating credit facility from $900.0 million to $1.4 billion to provide credit facility support for borrowings under the CP program. On October 5, 2018, the GTAA further increased the CP program by $400.0 million to $1.4 billion. As part of the CP program, any CP outstanding at any given time is fully backstopped by the revolving operating credit facilities. As at December 31, 2018, the GTAA had $301.2 million available for general corporate purposes and $1.1 billion available to backstop the outstanding CP under its revolving operating credit facility. On March 23, 2018, the GTAA also increased its letter of credit facilities from $100.0 million to $150.0 million and its pledged bond from $1.35 billion to $1.9 billion.

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

	2018	2017
	$	$
Interest income	**8,021**	8,106
Interest expense on debt instruments	**(307,999)**	(336,773)
Capitalized interest	**7,708**	6,375
Early retirement of debt charge	**(28,698)**	–
Loss on cash flow hedge	**(2,686)**	–
Amortization of terminated hedges and interest rate swap	**(2,454)**	(1,985)
Other financing fees	**(3,831)**	(2,794)
	(337,960)	(335,177)
Interest and financing costs, net	**(329,939)**	(327,071)

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

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

		2018		2017
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**5,271,462**	**6,438,438**	5,787,364	7,338,144

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

This section sets out an analysis of debt and the movement in debt for the period presented.

	January 1, 2018	**Cash Flows**	**Non-cash Change**	**December 31, 2018**
	$	**$**	**$**	**$**
Long-term debt	**5,787,364**	**(808,084)**	**292,182**	**5,271,462**
Credit facility	**25,000**	**(25,411)**	**411**	**–**
Other borrowings	**499,450**	**583,935**	**15,408**	**1,098,793**
Total Liabilities from Financing Activities	**6,311,814**	**(249,560)**	**308,001**	**6,370,255**

	January 1, 2017	Cash Flows	Non-cash Change	December 31, 2017
	$	$	$	$
Long-term debt	6,222,627	(768,635)	333,372	5,787,364
Credit facility	–	25,000	–	25,000
Other borrowings	–	496,049	3,401	499,450
Total Liabilities from Financing Activities	6,222,627	(247,586)	336,773	6,311,814

Credit Facilities

As part of its liquidity management program, the GTAA maintains the following credit facilities: a revolving operating credit facility in an amount of $1.4 billion, a letter of credit facility in the amount of $150.0 million and an interest rate and foreign exchange hedging facility in the amount of $150.0 million. These credit facilities are secured by a $1.9 billion pledged bond (Series 1997–C) issued pursuant to the Trust Indenture. Indebtedness under the credit facilities ranks *pari passu* with other indebtedness issued under the Trust Indenture. The $1.4 billion revolving operating credit facility matures on May 21, 2021 and the $150.0 million letter of credit facility matures on May 22, 2019. Each of the credit facilities can be extended annually for one additional year with the lender's consent.

As at December 31, 2018, no amounts were utilized on the $1.4 billion revolving operating credit facility (December 31, 2017 – $25.0 million). Indebtedness under the credit facility bears interest at rates that vary with the lenders' prime rate, Bankers' Acceptance rates and LIBOR, as appropriate. Interest rates during the year ranged from 2.15 per cent to 3.95 per cent (2017 – 1.49 per cent to 3.20 per cent).

As at December 31, 2018, $99.2 million was utilized on the $150.0 million letter of credit facility (December 31, 2017 – $81.8 million).

12. LEASES

Ground Lease

The GTAA's commitment with respect to annual ground lease Airport rent is based on a set percentage of the GTAA's revenues (see "Airport Subject to Ground Lease" in Note 1, General Information). Ground rent expense in 2018 was $164.2 million (2017 – $155.9 million) excluding amortization of land acquisition costs (see Note 8, Intangibles and Other Assets). Revenues are subject to change depending on economic conditions.

Other Leases

The GTAA leases under operating leases, land and certain assets that are included in property and equipment and investment property to various third parties. Many leases include renewal options, in which case they are subject to market price revision. The lessees do not have the ability to acquire the leased assets at the end of the lease.

Contingent rents form part of certain lease agreements. Total contingent rent recognized in the consolidated statements of operations and comprehensive income for 2018 was $62.0 million (2017 – $57.4 million).

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

	Within 1 Year	1 to 5 Years	After 5 Years	Total
	$	**$**	**$**	**$**
December 31, 2018	**163,666**	**408,890**	**204,655**	**777,211**
December 31, 2017	161,547	439,053	231,096	831,696

13. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined Benefit Pension Plans

The GTAA maintains two pension plans with defined benefit provisions. One of these plans is a registered pension plan for former Transport Canada employees who were eligible to elect to transfer their pension credits to the GTAA plan. The other defined benefit pension plan is a registered pension plan for certain retired senior executives of the GTAA. Both plans do not accept new members.

The GTAA measures its accrued benefit obligations and the fair value of plan assets for both of its defined benefit pension plans for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2018, and the next required valuation will be as of January 1, 2019.

a) Characteristics of the Plans

Benefit obligations are estimated using the projected unit credit method. Under this method, each participant's benefits under the plans are attributed to years of service, taking into consideration future salary increases (as applicable) and the plan's benefit allocation formula. The GTAA's net obligation is calculated separately for each plan and is determined as the benefit obligation less the fair value of plan assets.

When the above calculations result in a benefit to the GTAA, the recognized asset is limited to the net total of the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plans.

The plans are final average earnings pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the registered plan and for one supplemental plan member, pensions paid are indexed with inflation.

The weighted-average duration of the defined benefit plans is 13.7 years.

b) Risks Associated with the Plans

The nature of these benefit promises exposes the GTAA to a number of risks, the most significant of which are as follows:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform the discount rate, this will create a deficit under the plan. The pension plans currently invest approximately 58.0 per cent in equities, which may outperform corporate bonds in the long term, but may contribute to volatility in valuation and risk in the short term.

(ii) Changes in Bond Yields

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

(iii) Inflation Risk

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

(iv) Life Expectancy

The majority of the plans' obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the plans' liabilities, with the exception of life insurance liabilities.

c) Amounts Recognized in the Financial Statements

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

	2018	2017
	$	$
Present value of funded obligation	**(183,190)**	(186,682)
Fair value of plan assets	**235,901**	250,817
Funded status – surplus	**52,711**	64,135
Net Defined benefit asset	**52,711**	64,135

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

	2018	2017
	$	$
Accrued Benefit Obligation		
Balance, beginning of year	**186,682**	177,418
Current service cost	**2,503**	2,522
Interest cost	**6,557**	6,750
Benefits paid	**(6,758)**	(6,866)
Employee contributions	**420**	503
Remeasurements:		
(Gain) Loss from changes in financial assumptions	**(5,068)**	7,471
Experience gain	**(1,146)**	(1,116)
Balance, end of year	**183,190**	186,682
Plan Assets		
Fair value, beginning of year	**250,817**	232,567
Interest income	**8,914**	8,963
Return on plan assets, excluding amounts included in interest income	**(18,602)**	12,958
Employer contributions	**1,378**	3,107
Employee contributions	**420**	503
Benefits paid	**(6,758)**	(6,866)
Administrative expenses paid from plan assets	**(268)**	(415)
Fair value, end of year	**235,901**	250,817
Funded status – surplus	**52,711**	64,135

As at December 31, 2018, each of the GTAA's defined benefit pension plans was in a surplus position. One plan was in a surplus position of $51.2 million (2017 – $62.4 million), with an accrued obligation of $167.0 million (2017 – $169.6 million) and a fair value of plan assets of $218.2 million (2017 – $232.0 million). The other plan was in a surplus position of $1.5 million (2017 – $1.7 million), with an accrued obligation of $16.2 million (2017 – $17.1 million) and a fair value of plan assets of $17.7 million (2017 – $18.8 million).

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

	2018	2017
	$	$
Current service cost	**2,503**	2,522
Interest cost	**6,557**	6,750
Interest income	**(8,914)**	(8,963)
Administrative expenses	**342**	341
Defined benefit pension plan expense recognized in Net Income	**488**	650
Amounts recognized in Other comprehensive (loss) income:		
(Gain) Loss from changes in financial assumptions	**(5,068)**	7,471
Experience gain	**(1,146)**	(1,116)
Return on plan assets	**18,528**	(12,884)
Total Remeasurements recognized in Accumulated other comprehensive loss (income)	**12,314**	(6,529)

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

	2018	2017
	$	$
Net Defined benefit asset, beginning of year	64,135	55,149
Defined benefit cost included in Net Income	(488)	(650)
Total remeasurements included in Other comprehensive (loss) income	(12,314)	6,529
Employer contributions	1,378	3,107
Net Defined benefit asset, end of year	52,711	64,135

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

	2018	2017
	$	$
Active members	59,095	68,544
Vested deferreds	6,694	6,323
Retirees	117,401	111,815
Accrued benefit obligation	183,190	186,682

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

	Fair Value of Plan Assets	
Asset Category	2018	2017
	%	%
Equity securities	58	59
Fixed income	42	41

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

d) Significant Actuarial Assumptions

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

	2018	2017
	%	%
Discount rate	3.79	3.58
Rate of compensation increase	3.00	3.00
Rate of price inflation	2.00	2.00
Rate of pension increases	2.00	2.00

Mortality rates have been established in accordance with the Canadian Pensioners' Mortality Table Private Sector published by the Canadian Institute of Actuaries.

e) Future Cash Flows

The sensitivity of the post-employment benefit obligation to changes in the weighted-average significant actuarial assumptions as at December 31, 2018 would be as follows:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$	$
Discount rate	1.00%	(21,760)	26,820
Rate of price inflation	1.00%	23,530	(20,178)
Mortality	1 year	6,370	(6,499)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the obligation to significant actuarial assumptions, the same method (present value of the obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

As at January 1, 2018, the registered defined benefit plan had a funding valuation solvency surplus of $13.6 million. The supplementary defined benefit plan also had a solvency surplus of $0.2 million as at January 1, 2018.

Expected contributions, benefit payments and administrative expenses for both defined benefit pension plans for the year ended December 31, 2019 are $1.0 million, $7.8 million and $0.3 million, respectively.

Defined Contribution Pension Plan Expense

The GTAA maintains four pension plans with defined contribution provisions providing pension benefits to employees who commenced working for the GTAA after December 1996 as well as those former Transport Canada employees who elected to transfer their pension credits to the GTAA plan. The net expense for the defined contribution pension plans in 2018 was $4.6 million (2017 – $6.4 million).

The GTAA's contribution to the registered defined contribution pension plans is a maximum of 6.5 per cent of the employee's gross earnings. For designated employees of one unfunded supplemental plan, the GTAA's notional contribution equals 16 per cent of the employee's gross earnings less amounts already contributed to the plan by the employee and the GTAA. Recorded in post-employment benefit liabilities on the consolidated statements of financial position is the estimated obligation for this plan at December 31, 2018 of $2.0 million (December 31, 2017 – $1.8 million).

Severance Entitlement Plan

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

Since the GTAA's accrued severance entitlement plan is unfunded, the net obligation is equal to the sum of the benefit obligations for all the members under this plan. As at December 31, 2018, the balance of the accrued benefit obligation was $2.4 million (2017 – $2.2 million), the post-employment benefit expense recognized in net income for the year ended December 31, 2018 was $0.2 million (2017 – $0.2 million) and the pension remeasurements gain recognized in other comprehensive (loss) income was $0.05 million (2017 – $0.2 million).

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2018, the estimated obligation for this payment is $2.7 million (December 31, 2017 – $2.4 million) and is included in post-employment benefit liabilities in the consolidated statements of financial position.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of Key Management and Directors

Key Management includes the CEO, the CFO and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board members are, only for the purposes hereof, also considered Key Management. The following table includes compensation to Key Management personnel and members of the Board of Directors for the year ended December 31 included in the consolidated statements of operations and comprehensive income.

	2018	2017
	$	$
Salaries, fees and short-term benefits	8,319	7,319
Post-employment benefits	781	654
Other long-term benefits	25	15
Total (included in salaries, wages and benefits)	9,125	7,988

15. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2018 and subsequent to the year-end of approximately $327.8 million, as compared to $196.3 million at December 31, 2017.

Letters of Credit

A number of letters of credit for $99.2 million in total were outstanding as at December 31, 2018 (see Note 11, Credit Facilities and Long-Term Debt).

Insurance

The GTAA obtains aviation war risk liability coverage through the commercial insurance market with a limit of US$1.5 billion and terrorism property insurance in the amount of $500.0 million. These policies provide coverage for exclusions under the primary liability and property insurance policies following the events of September 11, 2001. The GTAA is in compliance with the insurance terms set out in the Ground Lease with Transport Canada.

Cogeneration Plant

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

Contingent Liabilities

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

16. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

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

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

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.

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

Risk Management

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

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

Market Risk

a) Interest Rate Risk

The GTAA's exposure to interest rate risk relates to its MTNs and short-term borrowing as described in Note 11, Credit Facilities and Long-Term Debt. As at December 31, 2018, all of the GTAA's MTNs are fixed-rate carried liabilities and, therefore, changes in interest rates do not have an impact on interest payments but may have an impact on the fair value of this debt. The borrowings under the CP program and credit facilities will fluctuate in accordance with changes in interest rate.

The GTAA also has exposure to interest rate risk through its short-term investments in restricted funds (see Note 6, Restricted Funds) and other borrowings (see Note 11, Credit Facilities and Long-Term Debt). As at December 31, 2018, $319.6 million of the GTAA's short-term investment holdings carried various terms to maturity from one to 365 days. Therefore, changes in the interest rate would not have a significant impact on the fair value of restricted funds due to the short-term nature of the investments. The remaining funds were invested in savings accounts which are highly liquid, and therefore the principal balances were protected regardless of changes in interest rates.

The minimum balance of the Debt Service Reserve Fund is adjusted annually on March 23, based on the prevailing Bankers' Acceptance rate.

b) Foreign Currency Rate Risk

The GTAA undertakes certain transactions denominated in foreign currencies, primarily the U.S. dollar. However, the GTAA's exposure to any foreign currency risk is not significant.

Credit Risk

The GTAA is subject to credit risk through its financial assets. The GTAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss.

Before accepting a new air carrier, the GTAA uses an external credit scoring system to assess the potential customer's credit quality, as well as an internal credit rating system. All customers are subject to credit checks and require prepayment or a deposit in the form of cash, a letter of credit or a letter of guarantee. Operational and credit-related reviews for aeronautical customers are seasonally reviewed for adequacy. Should the requirements for security deposits change, new payment terms or deposit requirements will be established. A security deposit is required for most non-aeronautical customers as well. Credit checks for these latter customers are performed at the time of the agreement negotiations, renewal and amendments.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the customer or institution holding the funds.

As at December 31	**2018**	2017
	$	$
Cash		
AA	**22,530**	12,187
Restricted funds		
AA	**281,336**	439,445
AA low	**107,400**	15,528
	388,736	454,973

None of the financial assets that are fully performing have been renegotiated during the year.

The GTAA invests its restricted funds in highly rated investment instruments with low risk profiles according to the guidelines specified in the Trust Indenture. The Trust Indenture requires that the GTAA invest its restricted funds with financial institutions with investment grade rates of AA. Due to a credit rating upgrade of several Canadian banks in 2018, the GTAA's investment options in its restricted funds were increased to six qualifying banks. The GTAA also has the ability to invest in highly rated government investment instruments.

There is a concentration of service with two air carriers which represent approximately 47.3 per cent (2017 – 48.9 per cent) of total revenue, and 20.3 per cent (2017 – 26.6 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2018.

Liquidity Risk

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

The GTAA maintains credit facilities and a CP program and executes a Capital Markets Platform to meet cash needs as debt maturities occur (see Note 11, Credit Facilities and Long-Term Debt, and Note 20, Capital Risk Management). The GTAA mitigates risk related to liquidity in the CP program via the credit facilities available under its lines of credit.

The table below analyzes the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations, as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. It includes both principal and interest cash flows.

				December 31, 2018
	Less Than 1 Month	**1 Month to 12 Months**	**1 Year to 5 Years**	**Thereafter**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**74,395**	**258,859**	**–**	**–**
Commercial paper	**599,570**	**499,223**	**–**	**–**
Long-term debt	**9,027**	**294,598**	**2,166,683**	**6,947,848**
	682,992	**1,052,680**	**2,166,683**	**6,947,848**

				December 31, 2017
	Less Than 1 Month	1 Month to 12 Months	1 Year to 5 Years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities	61,524	174,436	–	–
Commercial paper	299,890	199,560	–	–
Credit facility	25,000	–	–	–
Long-term debt	9,581	781,878	2,654,619	6,515,098
	395,995	1,155,874	2,654,619	6,515,098

Additional disclosure about the GTAA's credit facilities and long-term debt can be found in Note 11, Credit Facilities and Long-Term Debt, and Note 8, Intangibles and Other Assets.

Offsetting of Financial Instruments

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

The following table presents the financial instruments which may be subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2018 and 2017, and shows in the "Net Amount" column what the net impact would be on the GTAA's consolidated statements of financial position if all set-off rights were exercised in circumstances described above. As at December 31, 2018, no recognized financial instruments are offset in the consolidated statements of financial position.

			December 31, 2018
	Gross Amount Presented in the Consolidated Statements of Financial Position	**Related Accounts Not Set Off in the Consolidated Statements of Financial Position**	**Net Amount**
	$	**$**	**$**
Financial assets			
Accounts receivable	**87,211**	**(33,644)**	**53,567**
Restricted funds	**388,736**	**(384,537)**	**4,199**
	475,947	**(418,181)**	**57,766**
Financial liabilities			
Security deposits	**(33,644)**	**33,644**	**–**
Long-term debt	**(5,271,462)**	**384,537**	**(4,886,925)**
	(5,305,106)	**418,181**	**(4,886,925)**

			December 31, 2017
	Gross Amount Presented in the Consolidated Statements of Financial Position	Related Accounts Not Set Off in the Consolidated Statements of Financial Position	Net Amount
	$	$	$
Financial assets			
Accounts receivable	69,350	(33,192)	36,158
Restricted funds	454,973	(451,114)	3,859
	524,323	(484,306)	40,017
Financial liabilities			
Security deposits	(33,192)	33,192	–
Long-term debt	(5,787,364)	451,114	(5,336,250)
	(5,820,556)	484,306	(5,336,250)

17. REVENUE

During the period, the GTAA recognized $1.2 billion (2017 – $1.2 billion) from contracts with customers and $226.2 million (2017 – $199.0 million) of revenue was recognized under IAS 17, *Leases*.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	$	$
Trade payables	65,182	45,605
Accrued expenses	247,778	170,261
Commodity sales tax payable	5,134	7,576
Provisions	8,218	7,985
Other liabilities	6,942	4,533
	333,254	235,960

19. GOODS AND SERVICES EXPENSE BY NATURE

	2018	2017
	$	$
Property and equipment maintenance and repairs	108,536	96,996
Outsourcing and professional services	127,404	110,839
Utilities	17,315	16,738
Policing and security	37,942	36,005
AIF administration fee	18,399	17,445
Other	46,560	36,859
	356,156	314,882

20. CAPITAL RISK MANAGEMENT

The GTAA defines its capital as current and long-term portions of debt, borrowings under the CP program, borrowings, if any, under the GTAA's credit facilities (see Note 11, Credit Facilities and Long-Term Debt), cash and restricted funds (see Note 6, Restricted Funds).

The GTAA's objectives when managing capital are to:

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

b) Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments; and

c) Satisfy covenants set out in the Trust Indenture.

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

Capital Markets Platform

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

The Debt Service Reserve Funds are funded from the net proceeds of each bond or MTN issuance (see Note 6, Restricted Funds). The Trust Indenture 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 at least 125.0 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the Trust Indenture). The GTAA sets its rates and charges, fees, and rentals so that these two covenants under the Trust Indenture are met. Both covenant tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets. The GTAA's operating covenant ratio was 135.9 per cent in 2018, which is above the minimum requirement of 100.0 per cent under the Trust Indenture. The GTAA's debt service covenant ratio was 148.5 per cent in 2018, which is above the minimum requirement of 125.0 per cent under the Trust Indenture.

Disclosure Requirements of the Ground Lease

Subsection 9.01.07, Paragraphs (a) to (g) of the Ground Lease requires the Greater Toronto Airports Authority ("GTAA" or "Corporation") to publish in its Annual Report the following:

a) Audited Financial Statements

The auditors' report and the audited financial statements are found on pages F21 to F53 and the summary of affairs (Management's Discussion and Analysis or "MD&A") is found on pages F1 to F20 of the Annual Report.

b) Report on the Business Plan and Objectives for 2018

The projected cash flows in any year constitute the business plan for that year. The business plan for 2018 is the 2018 summary of projected cash flows, which is found below in Paragraph (c) (the "2018 Business Plan"). A report on the GTAA's performance relating to the 2018 Business Plan is discussed in Paragraph c) below and in the MD&A.

Further, in the Annual Reports for the previous five years, comparisons to the respective business plans and the overall corporate performance are discussed in the MD&A and Ground Lease disclosure, respectively.

c) Variances and Corrective Measures with Respect to the Report on the 2018 Business Plan

The following table provides a comparison between the 2018 actual results and the 2018 Business Plan.

(in millions, unaudited)			**2018**
	Actual	**Business Plan**	**Favourable/ (Unfavourable)**
	$	$	$
Revenues	1,471.7	1,472.9	(1.2)
Operating expenses	(751.1)	(758.5)	7.4
Earnings before interest and amortization, net	**720.6**	**714.4**	**6.2**
Amortization	(277.0)	(274.5)	(2.5)
Interest expense and financing costs, net[1]	(329.9)	(315.0)	(14.9)
Consolidated net income/(loss)	**113.7**	**124.9**	**(11.2)**
Add: Amortization	277.0	274.5	2.5
Add: Interest expense and financing costs, net[1]	329.9	–	329.9
Add: Other non-cash items	3.2	–	3.2
Add: Changes in working capital	6.8	–	6.8
Cash flow from operations	**730.6**	**399.3**	**331.3**
Less: Acquisition & construction of property, expenditures, and intangible assets	(319.4)	(406.0)	86.6
Less: Acquisition of investment property	(178.4)	–	(178.4)
Less: Interest paid and other financing costs, net	(314.0)	–	(314.0)
Less: Payment of early debt retirement charge	(28.7)	–	(28.7)
Less: Payment on termination of cash flow hedge	(14.7)	–	(14.7)
Cash source/(use) before capital sources	**(124.6)**	**(6.7)**	**(117.9)**

(1) Includes unbudgeted costs associated with early retirement of debt charges ($28.7 million), and related ineffective portion of terminated interest rate hedge ($2.7 million), offset partially by interest income ($8.0 million).

For a more complete discussion of the 2018 financial results and capital projects, see the MD&A and the Annual Information Form for the year ended December 31, 2018, copies of which are available on SEDAR at www.sedar.com. The GTAA's MD&A is also available on its website at www.torontopearson.com.

For the year ended 2018, Consolidated Net Income for the GTAA was $11.2 million unfavourable to the 2018 Business Plan primarily as a result of the early retirement of debt and related interest rate hedge.

For the year ended 2018, revenues were $1.2 million unfavourable to the 2018 Business Plan primarily due to shortfalls in Aeronautical revenue and Air Improvement Fees being partially offset by higher than planned commercial revenues as well as rental income from property acquisitions during the year. Rental income from in-year property acquisitions were not included in the 2018 Business Plan.

For the year ended 2018, operating expenses were $7.4 million favourable to the 2018 Business Plan primarily due to lower than planned spend in several areas including consulting, professional and contractual services, buildings and property maintenance, and energy, partially offset by higher than budgeted spends in snow removal, policing and security, and unbudgeted spends from properties acquired during the year.

For the year ended 2018, amortization expenses were $2.5 million unfavourable to the 2018 Business Plan primarily due to the timing and mix of new capital projects, and unplanned property acquisitions during the year.

For the year ended 2018, interest expenses, net of interest income, were $14.9 million unfavourable to the 2018 Business Plan primarily due to the incurrence of an early retirement of debt charge totaling $28.7 million. The early retirement of debt with an interest rate of 5.6 percent and simultaneous issuance of new debt with an interest rate of 3.26 percent over the next 19 years results in interest savings of approximately $12.0 million annually.

The Corporation has been rapidly increasing investments to support passenger and baggage flow. For the year ended 2018, the GTAA spent approximately $319.4 million as compared to the 2018 Business Plan of $406 million. Spend primarily related to ongoing projects such as Terminal 1 – Pier G expansion, Terminal 3 improvement projects, and baggage handling improvements. A further discussion of key projects can be found in the "Capital Projects and Acquisitions" section of the MD&A.

Additionally, the GTAA's wholly-owned subsidiary, Airway Centre Inc., acquired properties near the Airport primarily consisting of industrial and commercial office space and buildings which are unrelated to the day-to-day operation or management of the GTAA. During the year, total spend on acquisitions and building improvements amounted to approximately $178.4 million.

Pursuant to the Master Trust Indenture ("MTI"), the deposit to the Notional Principal Fund and the letter of credit adjustment regarding the Operations and Maintenance Reserve Fund were as projected. No deposits were made to the Debt Service Coverage Reserve Fund since the financial ratio covenants in Section 7.4 of the MTI were met.

None of the variances to the 2018 Business Plan discussed above were of a nature that caused the Corporation to take specific corrective actions.

d) Summary of the Five-Year Business Plan

The five-year Business Plan (2019 to 2023) is driven by the 20-year strategic framework, which is in turn based upon three fundamental strategic principles: financial sustainability, customer experience and operational excellence. This means that the Corporation will meet the growing demand for air travel, currently forecasted to increase by 13.5 million passengers over the next five years, by making optimum use of existing facilities before investing in new capital infrastructure. This will be achieved by improved passenger, baggage and aircraft processing and flow through the Airport, while delivering exemplary customer service, atmosphere and amenities to all passengers.

Over the five-year forecast horizon, the primary driver for the Corporation's Business Plan is the long-term growth in Airport activity, which will ultimately dictate the quantum of capital spend and funds dedicated to corporate initiatives which are ancillary to airport operations. Specific revenue, customer service or cost containment initiatives carried out over this period may also have an impact on revenues and expenses. The compounded annual growth rates from 2019 to 2023 for passengers, seats, and Maximum Takeoff Weight are 4.9, 4.4, and 4.2 per cent, respectively.

2019 will mark the eleventh consecutive year of lowering or freezing posted aeronautical rates and charges to air carriers.

During the Business Plan's five-year horizon, the Corporation plans to continue to pursue its non-aeronautical revenue growth strategy. This will include the introduction of new retail, food and beverage offerings (subject to approved capital projects) and advertising/sponsorship initiatives, as well as enhanced marketing and business development initiatives to increase parking and ground transportation revenues. Additionally, the Corporation will continue its strategic imperative to opportunistically acquire lands at reasonable prices to support its mega hub aspirations. A corollary of this strategy is incremental rental income from commercial and industrial properties, which contributes to the growth of commercial revenues. Over the term of the Business Plan, growth rates for commercial revenues are expected to exceed passenger growth rates.

The Corporation typically undertakes capital projects to meet one of the following key objectives: (i) to comply with regulatory requirements (e.g., safety, security or environmental); (ii) to expand the capacity or improve the productivity of existing assets; (iii) to restore or replace existing assets; (iv) to modify existing infrastructure to improve revenue or reduce costs; or (v) add new capacity or businesses to the Airport beyond the existing infrastructure.

As part of the 20-year strategic framework adopted by the Corporation in 2015, the Corporation will continue to meet the growing demand for air travel through making optimum use of existing facilities prior to investing in new capital infrastructure.

In the near term, the Corporation will continue to focus on capital programs that will optimize the capacity and use of its existing infrastructure assets to improve passenger, baggage and aircraft processing and flow, comply with regulatory requirements, and enhance customer experience, primarily through its Terminal 1 and Terminal 3 improvement projects.

Cash flows generated from operations used to fund capital expenditures are expected to average over $450 million per year over the next five years, subject to continued robust aviation activity growth.

The key aviation revenue generation assumptions used to develop the 2019 Business Plan are as follows:

- 52.3 million total passengers;
- Landed Maximum Takeoff Weight of 19.1 million tonnes; and
- Landed seats of 31.1 million.

The reader is cautioned that some assumptions used to derive forecast information may not materialize and unanticipated events and circumstances may occur subsequent to the date when this summary was prepared. Therefore, the actual results achieved during the period may vary, and the variations may be material. For a more complete discussion of the risks and uncertainties and caution regarding forward-looking statements, see the MD&A and the Annual Information Form, copies of which are available on SEDAR at www.sedar.com. The GTAA's MD&A is also available on its website at www.torontopearson.com.

e) Remuneration to Board and Salary of Senior Officers

For 2018, the Chair of the Board of Directors received remuneration in the amount of $180,000, while the other Directors earned remuneration ranging from $26,167 to $106,500. For 2018, salaries for the Corporation's senior officers ranged from $111,076 to $699,751. Senior officers are also eligible for a performance-based bonus.

A Director's annual remuneration varies by the number of Board and Board Committee meetings attended and the manner of attendance, whether the Director serves as a Chair of a committee, and whether the Director has served for a full or part year. A senior officer's salary varies by the responsibilities and experience of the senior officer and whether the senior officer has served for a full or part year.

Additional information regarding the remuneration paid to the Directors and the senior officers is available in the Annual Information Form, copies of which are available on SEDAR at www.sedar.com.

f) Ethical Business Conduct

The Corporation has a "Code of Business Conduct and Ethics" (the "Code"), which has been approved by the Corporation's Board of Directors (the "Board"). The Code complies with the requirements of the Canadian Securities Administrators' National Policy 58-201 and represents a comprehensive approach to addressing, among other matters, conflicts of interest and promoting fair, honest and ethical behaviour by all of the Corporation's Directors, officers, employees and contractors. A copy of the Code may be accessed on SEDAR at www.sedar.com.

The Board monitors compliance with the Code, and the Corporation requires that each Director and officer sign an Annual Declaration advising that the Director or officer has read the Code and either declares that the Director or officer is in compliance or not in compliance with the Code and declares the reasons for the non-compliance. In addition, the Board has implemented Confidential Anonymous Reporting for Employees ("C.A.R.E."), which permits the anonymous reporting of an employee, officer or Director's unethical behaviour. C.A.R.E. also extends to business partners contracted by the Corporation.

All Directors and officers indicated that they are in compliance with the Code.

g) Report on Contracts Over $110,000 Not Tendered

The Ground Lease stipulates that any contracts in excess of $110,000 (adjusted periodically by CPI from an original threshold of $75,000) that are not awarded through a public tendering process must be described in the Corporation's Annual Report. Such description must identify: the parties to the contracts; the amount, nature and circumstances of the contract; and the reasons for not awarding such contract on the basis of a public competitive tendering process. The table below summarizes the applicable contracts awarded in 2018. Definitions for the "reason for award without public tender" can be found at the end of the table.

Contract Value	Contractor	Description of Contract	Reason for Award Without Public Tender
$110,000 to $500,000	PSG Leadership Inc.	Management recruitment services	A
	Patlon Group	PCA rental	C
	Bruel & Kjaer EMS Inc.	Complaint processing systems support	B
	Danatec Education Services Limited	Safety training services for new policy and program	A
	Spencer Stuart	Specialized search services for staffing	A
	Argentus	Recruitment services	B
	Gazzola Paving	Pipe and expansion joint work	A
	SEW-EURODRIVE Company of Canada	Inspection and maintenance of mechanical drives	B
	AST Canada	General system tuning and support	A
	Health & Happy Life Inc.	Airport activity analytical and ASDM solution product support	A
	OC Special Commodity Carriers	Emergency offsite transport and disposal of spent glycol	A
	ET Group	Audio visual equipment, installation and support	C
	Tyco/JCI	Safety systems programming	B
	Bridgecon Construction Ltd.	Installation of Viscount pedestrian bridge inspection port	B
	Level 5 Strategy Group	Strategic and branding advice	B
	Cognascent Inc.	Leadership program	A
	Metroland	Requirement for occasional advertising in local community newspapers	B
	Torcon Ltd.	Installation of primary inspection kiosks in Terminal 3	C
	Canyon Consulting	Audit response assistance	A
	Torcon Ltd.	Installation of primary inspection kiosks in Terminal 3	C
	Pristine Condition International	Manual handling training for airport employees	B
	Mercer Canada Limited	Pension advice	A
	TekMonks	IBM API Connect Management Services	A
	NORR	Concept and design for flight information displays in Terminal 1 and 3	A
	Patlon Group	Electrical repairs and preventative maintenance on power units	B
	MRF Geosystem Corporation	Development application tool	B
	4S Consulting Services Inc.	Consulting services for FESTI	A
	NORR	Mechanical consulting and additional contract administration services	A
	Tailor Made Systems Limited	Mobile airfield lighting management system and training for field electricals	A

Contract Value	Contractor	Description of Contract	Reason for Award Without Public Tender
$110,000 to $500,000	Vitra Inc.	Terminal 1 international arrivals seating	B
	Smiths Detection Montreal Inc.	X-ray scanning system hardware, training and installation	B
	Artic Combustion Ltd.	Installation of boiler	A
	L3 Technologies MacDonald Humfrey Automation	Supply and installation of cladding	C
	Ernst & Young LLP	HR Technology Phase 3	A
$500,000 to $1,000,000	Microsoft	IT upgrades and implementation	A
	Gildepath Systems	Terminal 1 and 3 additional baggage support	C
	Vision-Box	Purchase of additional E-gates	A
	KPMG	Service contract	A
	Inland Technologies	Lease tanks for CDF operations	A
	Bensimon Byrne	Media purchase and advertisement buy	A
	Amadeus Airport IT Americas Inc.	IT application for billing data reconciliation	C
	Vanderlande Industries Canada Inc.	Baggage system messaging	B
	Plan Group	Surveillance enhancements	A
	Materna Information and Communications Norway AS	X-ray scanning system hardware, training and installation	B
	Kingmont Consulting Services Ltd.	Real property assessment and taxation consulting	A
$1,000,000 to $2,000,000	Access Planning Ltd.	Planning and project management services for specific project	B
	Webleton Inc.	IT integration services for enterprise asset management system enhancements	B
	ARC	Consulting services for implementation of software	C
	Strategy Corp Inc.	Strategic advisory services for stakeholder engagement and facilitation	B
	Fleetcom Inc.	Addition of channels to Land Mobile Radio System	B
	PASSUR	Software solution for aircraft and passenger flow decisions	B
	Royalty General Construction	Terminal 1 construction work	A
	Bell	Internet service upgrade	B

A. Where the GTAA determines that in connection with an existing contract for the supply of goods and services that is expiring, it is most efficient and practicable to extend or award a new contract to the existing contractor or services supplier where such contractor or services supplier has developed a specific skill set or knowledge base in respect of that contract not found on the market.

B. Where there is just one contractor, or services supplier, which can provide the required goods or services.

C. Where warranty, patent or copyright requirements or technical compatibility factors dictate a specific supplier.

D. In any other circumstances where the President and Chief Executive Officer determines it is necessary to do so having regard to the safe, efficient and practicable operation of Toronto Pearson.

E. Where a competitive sourcing process was undertaken, and a contract entered into pursuant to which the GTAA receives revenue, then any associated acquisition of goods and services is not deemed to be a Sole Source contract.

Section 9.01.07, Paragraphs (a) to (g) of the Ground Lease

The Tenant shall, prior to each public meeting to be held pursuant to Subsection 9.01.05, publish an annual report in respect of the Lease Year (in this Subsection 9.01.07 called "that Lease Year") immediately preceding the Lease Year in which the public meeting is held which shall, as a minimum:

a) include the audited annual financial statements of the Tenant for that Lease Year, the Tenant's Auditor's report on such Tenant's audited annual financial statements, and a summary of the Tenant's affairs for that Lease Year;

b) contain a report on the Tenant's performance relating to the Tenant's business plan and objectives established for that Lease Year, and as applicable for the previous five Lease Years;

c) include an explanation by the Tenant of all variances and corrective actions taken with respect to the Tenant's performance described in Paragraph 9.01.07(b);

d) present a summary of the Tenant's business plan for the then current Lease Year and the Tenant's business plan containing a forecast for the next five Lease Years, including specific objectives (measurable where feasible), for such summary and forecast and relating to the approved objectives of the Tenant;

e) contain a report on the remuneration provided to each Board member and on the salary of each of the Senior Officers of the Tenant;

f) contain a report on compliance or non-compliance with the Tenant's Code of Conduct; and

g) report on all contracts in excess of an amount obtained by multiplying seventy-five thousand ($75,000) dollars by the CPI. Adjustment Factor for that Lease Year which are entered into during that Lease Year and which contracts were not awarded on the basis of a public competitive tendering process and such report shall identify the parties to the contract, the amount of the contract, the nature of the contract, the circumstances of the contract and the reasons for not awarding such contract on the basis of a public competitive tendering process.

2018 Corporate Information

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Executive Team

MARTIN BOYER
Vice President and Chief Information Officer

CRAIG BRADBROOK
Vice President, Aviation Services

IAN L.T. CLARKE
Chief Financial Officer

SCOTT COLLIER
Vice President, Customer and Terminal Services

HOWARD ENG
President and Chief Executive Officer

KATHERINE HAMMOND
Vice President, General Counsel, Corporate Safety and Security

MARY MADIGAN-LEE*
Vice President, Human Resources and Corporate Services

HILLARY MARSHALL
Vice President, Stakeholder Relations and Communications

PATRICK NEVILLE
Vice President, Airport Development and Technical Services

KIM STANGEBY
Vice President and Chief Strategy Officer

Annual Public Meeting

The GTAA's Annual Public Meeting will be held on
Tuesday, May 7, 2019, at 1:30 p.m. at
The International Centre.

Public Information

Requests for general information should be directed to:
Customer Service
T: 416-776-9892
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Auditors

PricewaterhouseCoopers LLP
Toronto, Ontario

Lead Bank

Canadian Imperial Bank of Commerce
Toronto, Ontario

Principal Legal Counsel

Osler, Hoskin & Harcourt LLP
Toronto, Ontario

* Effective January 2019, Valerie Duffey resigned from the GTAA and was replaced by Mary Madigan-Lee as of March 2019.