YYC CALGARY AIRPORT AUTHORITY

2022

FINANCIAL REPORT

YYC CALGARY AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022
Dated March 8, 2023

This Management's Discussion and Analysis ("MD&A") report discusses the financial and operating results of The Calgary Airport Authority (the "CAA" or the "Authority") for the year ended December 31, 2022, and should be read in conjunction with the audited Financial Statements and note disclosures of the CAA for the years ended December 31, 2022 and 2021, available at www.yyc.com. As the Authority is a non-share capital, not-for-profit entity, the MD&A is prepared voluntarily and, although similar, should not be construed to have been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. The financial statements have been prepared in accordance with CPA Canada Handbook – Accounting Part II - Accounting Standards for Private Enterprises (ASPE). All amounts in the MD&A are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING INFORMATION

This 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.

CORPORATE PROFILE

The Calgary Airport Authority was incorporated on July 26, 1990 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region. As a non-share, not-for-profit entity, the net earnings generated by the Authority are reinvested in the airports under its control so it can fulfill this mandate.

The Authority has been operating YYC Calgary International Airport (YYC) since July 1992 pursuant to the Agreement to Transfer which provided for the transfer of operational control of YYC Calgary International Airport from the Government of Canada to the Authority under a long-term lease agreement (the "Canada Lease"). The Canada Lease has an initial term of 60 years with a 20-year option to extend that was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport (the "Springbank Lease") for a term concurrent with the Canada Lease term.

HIGHLIGHTS

The COVID-19 pandemic has had a severe impact on the travel and aviation industry, which was further exacerbated by strict travel restrictions and quarantine periods imposed by Federal and Provincial governments in an attempt to reduce active and new COVID-19 cases. The pandemic arrived late in Q1 2020, decimating travel demand and erasing almost 25 years of passenger growth at YYC. Travel came to a grinding halt in April 2020 with the impact felt into 2021. However, commencing in the second quarter of 2021 and accelerating throughout 2021, the Authority experienced growth in demand, which drove improvements in operating results. This continued improvement is evident in the financial and operating results delivered during the fourth quarter and year of 2022.

During the fourth quarter of 2022:

- Enplaned & Deplaned ("E&D") Passengers increased by 53.1% to 3.9 million compared to the fourth quarter of 2021, making YYC the fourth busiest airport in Canada.

- Locally enplaned passengers increased by 61.0% to 1.2 million compared to the fourth quarter of 2021, driving a 58.7% increase in AIF revenue to $43.0 million in the period.

- YYC saw a 17.4% increase in aircraft landings compared to the fourth quarter of 2021, predominantly driven by a 27.0% increase in passenger aircraft landings. YYC also experienced a 33.7% increase in landed passenger seats compared to the fourth quarter of 2021.

- The abovementioned increase in passenger and flight activity resulted in total revenue increasing by 49.3% to $111.2 million in the fourth quarter of 2022.

- The Authority generated $51.1 million of EBITDA in the fourth quarter of 2022, an increase of $24.7 million from the $26.4 million EBITDA in the fourth quarter of 2021.

During the full year of 2022:

- E&D Passengers increased by 128.4% to 14.5 million compared to 2021, making YYC the fourth busiest airport in Canada, and the most recovered compared to pre-pandemic traffic.

- Locally enplaned passengers increased by 134.4% to 4.5 million compared to 2021, driving a 133.4% increase in AIF revenue to $158.7 million in the period.

- YYC saw a 58.0% increase in aircraft landings compared to 2021, predominantly driven by an 85.3% increase in passenger aircraft landings. YYC also experienced a 95.9% increase in landed passenger seats compared to 2021.

- The abovementioned increase in passenger and flight activity resulted in total revenue increasing by 92.3% to $415.9 million in 2022.

- The Authority generated $192.7 million of EBITDA in 2022, an increase of $130.6 million from the $62.1 million EBITDA in the same period of 2021.

MANAGEMENT'S FINANCIAL ASSESSMENT

The first quarter of 2022 transborder and international travel was constrained, with expanded international travel restrictions from the Federal Government in an attempt to slow the spread of the Omicron COVID-19 variant, resulting in Q1 2022 showing a 54.7% recovery compared to pre-pandemic 2019 levels. YYC has seen a significant recovery in passenger activity since Q2 2022, with Q2, Q3 and Q4 at 84.3%, 88.8% and 92.3% of pre-pandemic 2019 levels, respectively, resulting in an 80.5% recovery for the full year, compared to 2019. While COVID-19 had a material impact on the aviation industry and is still considered to be a global health emergency by the World Health Organization, it has been acknowledged that the pandemic has reached a transition point. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the Authority believes that the pandemic will not have a material impact on the long-term financial sustainability of YYC. A new risk facing the aviation sector is the possibility of a worldwide recession, which could significantly affect demand for both leisure and business travel. However, the sector is currently experiencing a spike in demand after two years of pandemic related restrictions, which is resulting in passengers eagerly buying airplane tickets, seemingly indifferent to price increases. This sudden increase in demand placed severe pressure on airports and airlines from an operational perspective, initially causing flight scheduling and baggage handling issues at a number of major Canadian airports. Being a domestic hub airport, YYC fared better than other Canadian airports throughout most of the pandemic, moving from fourth to second busiest, which has also helped in ramping back up operationally, as the passenger traffic increase was less volatile than what was experienced at some airports. By the beginning of the second quarter of 2022, YYC had returned to being the fourth busiest Canadian airport based on passenger activity.

SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL INFORMATION ($ MILLIONS)	For the three months ended Dec 31 2022	2021	2022/21 $ Change	For the year ended Dec 31 2022	2021	2022/21 $ Change
Total Revenues	**111.2**	74.5	36.7	**415.9**	216.3	199.6
Direct operating costs	**47.7**	39.5	(8.2)	**173.6**	131.2	(42.4)
Canada Lease	**10.3**	6.9	(3.4)	**41.8**	18.8	(23.0)
Airport improvement fee handling fees	**2.1**	1.7	(0.4)	**7.8**	4.2	(3.6)
EBITDA	**51.1**	26.4	24.7	**192.7**	62.1	130.6
Net Loss *See "Financial Performance" section for details* *See Net Operating Results" section for reconciliation from net loss*	**(32.6)**	(170.5)	137.9	**(79.4)**	(314.8)	235.4
Free Cash Flow *($ millions)* *See "Liquidity and Capital Resources" section for details*	**23.9**	**32.9**	(9.0)	**79.3**	79.4	(0.1)

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

OPERATIONAL INFORMATION	For the three months ended Dec 31 2022	2021	2022/21 % Change	For the year ended Dec 31 2022	2021	2022/21 % Change
Enplaned & Deplaned Passengers *(thousands)*	**3,863.2**	2,523.8	53.1	**14,452.1**	6,326.4	128.4
Local Enplanements *(thousands)*	**1,240.9**	770.7	61.0	**4,548.5**	1,940.3	134.4
% Connecting Enplanements	**35.8%**	37.8%	-2.0 pts	**36.8%**	37.5%	-0.7 pts
Aircraft landings *(thousands)*	**22.9**	19.5	17.4	**90.2**	57.1	58.0
Total MTOW *(million kg)*	**1,405.3**	1,119.0	25.6	**5,455.6**	3,178.5	71.6
Landed passenger seats *(thousands)*	**2,322.3**	1,737.3	33.7	**8,951.6**	4,570.5	95.9
Load factor	**83.2%**	71.3%	11.9 pts	**80.4%**	67.9%	12.5 pts
Non-Aeronautical Revenue per Enplanement	**$20.24**	$19.20	5.4	**$19.83**	$24.02	(17.4)
Aeronautical Revenues per Landed Passenger Seat	**$12.53**	$13.58	(7.7)	**$12.79**	$16.13	(20.7)
Direct Operating Cost per E&D Passenger	**$12.35**	$15.65	21.1	**$12.01**	$20.74	42.1
EBITDA Margin	**46.0%**	35.4%	10.6 pts	**46.3%**	28.7%	17.6 pts
Free Cashflow per E&D Passenger *See "Operating Activity" section for details*	**$6.19**	$13.04	52.5	**$5.49**	$12.55	56.3

The volatility in passenger activity caused by the COVID-19 pandemic in 2021, and the current industry recovery underway, will impact the comparability of key performance indicators in the table above.

OPERATING ACTIVITY

The key activity drivers that have a direct impact on the Authority's financial results, are passenger levels and flight activity, which include aircraft movements, aircraft size and the number of seats per aircraft.

PASSENGER ACTIVITY

Total passenger traffic at YYC is categorized into one of three sectors: Domestic (passengers travelling within Canada), Transborder (passengers travelling to and from destinations between Canada and the United States of America (USA)) and International (passengers travelling to and from destinations outside Canada excluding the USA).

Prior to the COVID-19 pandemic, YYC was predominantly a domestic travel airport, serving as a hub for passengers connecting to more international travel-oriented airports, such as Toronto and Vancouver. The domestic travel focus of YYC helped to insulate the airport from the international travel restrictions that were put in place by the Canadian and foreign governments during the pandemic, with YYC growing from being Canada's fourth busiest airport for enplaned and deplaned traffic in 2019, to Canada's second busiest airport at times during the Pandemic, and was third busiest for most of 2020 and 2021. Additionally, being the Global airport hub for WestJet's flight activity helped maintain domestic traffic numbers, and increased connections, as WestJet consolidated its flight network to reflect the decrease in demand in smaller markets. As travel restrictions eased towards the end of the first quarter of 2022, Transborder and International travel demand and activity escalated rapidly at YYC, and throughout most Canadian airports, resulting in YYC returning to being the fourth busiest airport in Canada, as both Vancouver and Montreal are more heavily weighted towards Transborder and International Travel.

Passenger traffic at YYC in the fourth quarter of 2022 was 3.9 million, an increase of 1.4 million passengers, or 53.1%, from the 2.5 million passengers in same period of 2021. During the fourth quarter of 2022, the largest percentage improvements were in the International sector, followed by Transborder, and then the Domestic sector, recording increases in passenger traffic of 94.4%, 93.9%, and 40.8%, respectively, when compared to the same period of 2021. The significant increases experienced in Transborder and International were mainly due to pent-up demand for travel and the removal of international travel restrictions in the first quarter of 2022.

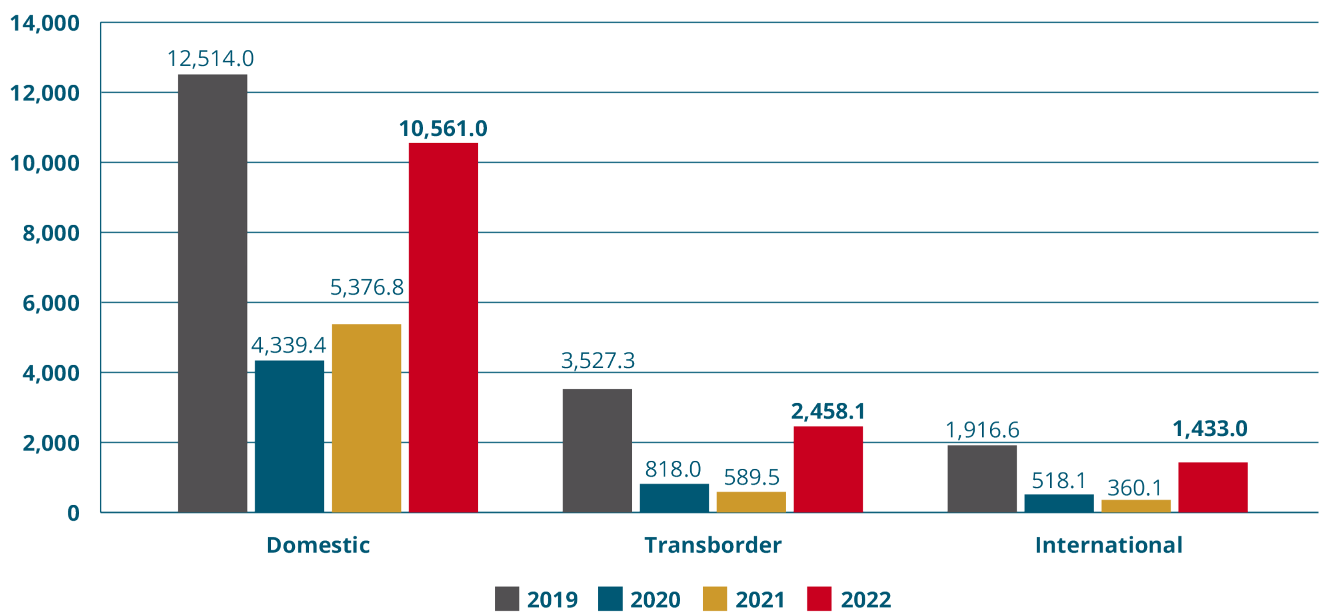
Passenger traffic at YYC in 2022 was 14.5 million, an increase of 8.2 million passengers, or 128.4%, from the 6.3 million passengers in same period of 2021. The significant increase was mainly due to passenger confidence driving the demand for travel after the easing of international travel restrictions by the Canadian and foreign governments towards the end of 2021 and early in 2022.

The following table summarizes passenger activity by sector for the three months and year ended December 31, 2022 and 2021:

	For the three months ended Dec 31			For the year ended Dec 31		
PASSENGER ACTIVITY (THOUSANDS)	**2022**	**2021**	**2022/21** % Change	**2022**	**2021**	**2022/21** % Change
Domestic	**2,731.6**	1,940.7	40.8	**10,561.0**	5,376.8	96.4
Transborder	**679.3**	350.4	93.9	**2,458.1**	589.5	317.0
International	**452.3**	232.7	94.4	**1,433.0**	360.1	297.9
Total Enplaned & Deplaned	**3,863.2**	2,523.8	53.1	**14,452.1**	6,326.4	128.4
Local Enplanements	**1,240.9**	770.7	61.0	**4,548.5**	1,940.3	134.4
Connecting Enplanements	**690.7**	468.6	47.4	**2,648.7**	1,164.0	127.6
Total Enplaned	**1,931.6**	1,239.3	55.9	**7,197.2**	3,104.3	131.8
Local Enplanements	**64.2%**	62.2%	2.0 pts	**63.2%**	62.5%	0.7 pts
Connecting Enplanements	**35.8%**	37.8%	-2.0 pts	**36.8%**	37.5%	-0.7 pts
Total Enplaned	**100.0%**	100.0%		**100.0%**	100.0%	

TOTAL E&D PASSENGERS

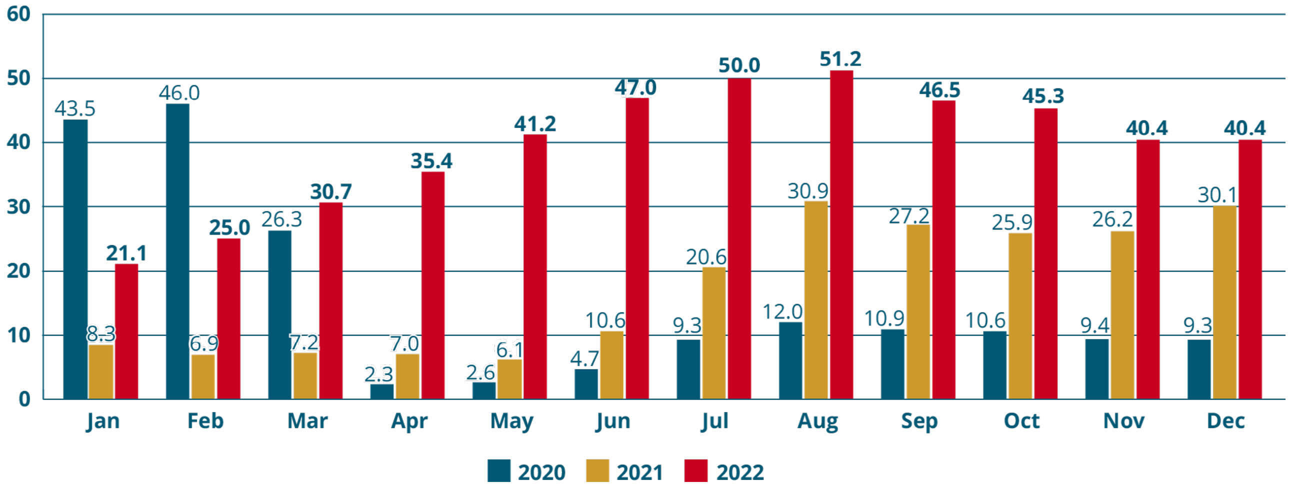
For the years of 2019, 2020, 2021 & 2022 (in thousands)



The above table shows Enplaned & Deplaned ("E&D") passenger activity by flight category for 2019, 2020, 2021, and 2022. With the onset of the COVID-19 pandemic in mid-March 2020, the first two months of 2020 had normal "pre-pandemic" flight activity. As a result, the full year of 2020 does not show the severity of the impact of the pandemic compared to the same period in 2021. As travel demand began to recover in the latter half of 2021, the trend continued with passenger traffic notably stronger throughout 2022.

AVERAGE DAILY PASSENGER VOLUMES BY MONTH

For the years of 2020, 2021 & 2022 (In thousands)



Daily passenger volumes at YYC for 2022 increased 128.9% to an average of 39,600 passengers per day, from an average of 17,300 per day for the same period of 2021. Passenger activity in 2021 was directly impacted by international travel restrictions rolled out by the Canadian Government on December 30, 2020, while these restrictions had been lifted by the end of the first quarter of 2022.

The Authority monitors two principal types of passengers: local enplanements and connecting enplanements. A local enplanement is a passenger trip originating at YYC, while a connecting passenger changes aircraft at YYC en route to a final destination, characteristic of a hub airport.

During the fourth quarter of 2022, the percentage of local enplanements versus connecting enplanements has returned to pre-pandemic levels at 64.2% and 35.8%, respectively, compared to 62.2% and 37.8% in the same period of 2021.

During the year ended December 31, 2022, local enplanements increased 134.4% to 4.5 million passengers and connecting enplanements increased 127.6% to 2.6 million passengers, when compared to 2021. The percentage of local enplanements versus connecting enplanements has returned to pre-pandemic levels at 63.2% and 36.8%, respectively, compared to 62.5% and 37.5% in the same period of 2021.

FLIGHT ACTIVITY

Flight activity is measured by aircraft landings. 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, driving Aircraft landing fee revenue. The load factor, the ratio of passengers to seats, is a measure of aircraft capacity utilization and is presented as a percentage of seats filled by passengers.

The following table summarizes aircraft landings, MTOW, seats, seats per passenger aircraft movement and load factor for the three months and year ended December 31, 2022 and 2021.

	For the three months ended Dec 31			For the year ended Dec 31		
FLIGHT ACTIVITY	**2022**	**2021**	**2022/21** % Change	**2022**	**2021**	**2022/21** % Change
(thousands)						
Aircraft landings	**22.9**	19.5	17.4	**90.2**	57.1	58.0
Passenger aircraft landings	**17.4**	13.7	27.0	**68.0**	36.7	85.3
Landed Passenger Seats	**2,322.3**	1,737.3	33.7	**8,951.6**	4,570.5	95.9
(millions)						
Total MTOW (kg)	**1,405.3**	1,119.0	25.6	**5,455.6**	3,178.5	71.6
Passenger MTOW (kg)	**1,179.1**	869.8	35.6	**4,534.7**	2,303.0	96.9
Seats per passenger aircraft movement	**133.5**	126.8	5.3	**131.6**	124.4	5.8
Load factor	**83.2%**	71.3%	11.9 pts	**80.4%**	67.9%	12.5 pts

Passenger aircraft landings increased 26.8% and 85.3% in the three months and year ended December 31, 2022, respectively, compared to the same periods of 2021, due to the easing of COVID- 19 air travel restrictions increasing passenger demand as the industry recovery continues. Total aircraft landings, which include both passenger and non-passenger movements, increased 17.4% in Q4 2022 compared to 2021. With the resumption of operations of Edelweiss Air, and the commencement of operations of Lynx Air, Eurowings, and Canada Jetlines, there were 15 airlines operating at YYC during 2022, compared to 11 that were operating during the same period of 2021.

During the fourth quarter of 2022, MTOW was 1,405.3 million kilograms, an increase of 25.6% from the same period of 2021. This change was driven mainly by the 35.6% increase in passenger MTOW due to the increase in landings and larger aircraft being utilized by carriers as the industry recovers from the COVID-19 pandemic. For the year ended December 31, 2022, MTOW was 5,455.6 million kilograms, an increase of 71.6% from the same period of 2021.

Landed Passenger Seats in the fourth quarter of 2022 was 2.3 million, an increase of 0.6 million, or 33.7%, compared to 1.7 million seats in the same period of 2021. The number of seats per passenger aircraft movement during the fourth quarter of 2022 was 133.5, an increase of 6.7 seats, or 5.3%, compared to 126.8 seats per passenger aircraft movement in the same period in 2021 due to carriers utilizing larger aircraft. Load factors increased 11.9 percentage points from 71.3% in Q4 2021, to 83.2% in the fourth quarter of 2022. Landed Passenger Seats for the full year of 2022 was 9.0 million, an increase of 4.4 million, or 95.9%, compared to 4.6 million seats in the same period of 2021.

In the fourth quarter of 2022, Cargo landings decreased 17.6% to 1,265, from 1,535 in the same period of 2021, while Cargo MTOW decreased 19.0% over the same period. Cargo landings decreased 0.1% from 5,365 to 5,362 in the full years of 2021 and 2022 respectively.

FINANCIAL PERFORMANCE

NET OPERATING RESULTS

The following table summarizes the Authority's net operating results for the three months and year ended December 2022 and 2021.

	For the three months ended Dec 31			For the year ended Dec 31		
NET OPERATING RESULTS ($ MILLIONS)	**2022**	**2021**	**2022/21** $ Change	**2022**	**2021**	**2022/21** $ Change
Net Loss	**(32.6)**	(170.5)	137.9	**(79.4)**	(314.8)	235.4
Post-employment pension benefits	**(22.3)**	9.6	31.9	**(22.3)**	9.6	31.9
Loss from Operations	**(10.3)**	(180.1)	169.8	**(57.1)**	(324.4)	267.3
Add: Interest and financing costs	**27.2**	172.4	(145.2)	**113.4**	250.0	(136.6)
Depreciation and amortization	**34.2**	34.1	0.1	**136.4**	136.5	(0.1)
EBITDA	**51.1**	26.4	24.7	**192.7**	62.1	130.6
EBITDA Margin	**46.0%**	35.4%	10.6 pts	**46.3%**	28.7%	17.6 pts

The Authority incurred a net loss from operations of $10.3 million and $57.1 million for the three months and year ended December 31, 2022, respectively, compared to a loss from operations of $180.1 million and $324.4 million for the same periods of 2021. The main driver of the improved results in 2022 was due to higher revenues from the increase in passenger and flight activity in 2022 and the $146.0 million of pre-payment penalties charged in 2021 for early termination of long-term debt. These items were partially offset by higher expenses from the increased operational footprint of the airport to meet the increased passenger activity, higher Canada Lease rent from increased airport revenues, and higher salaries and benefits due to the termination of the Federal CEWS program.

EBITDA was $51.1 million and $192.7 million for the three months and year ended December 31, 2022, respectively, an increase of $24.7 million and $130.6 million, compared to the same periods of 2021. The EBITDA Margin was 46.0% and 46.3% for the three months and year ended December 31, 2022, respectively, an increase of 10.6 and 17.6 percentage points, compared to the same periods of 2021. The increase in EBITDA and EBITDA Margin was due to increased revenue from the higher flight and passenger activity experienced as the COVID-19 pandemic recovery continues.

REVENUES

Revenues are derived from i) aeronautical revenue (which include general terminal charges, aircraft landing fees, and other aeronautical fees), ii) AIF revenue and iii) non-aeronautical revenue (which include concessions, rentals, car parking, ground transportation, and other sources).

Landing fees are based on the MTOW of arriving aircraft; general terminal charges are based on the number of seats and flight activity sector of an arriving aircraft; and other aeronautical fees are based on the usage of apron, aircraft gates and bridges, and fees per enplaned passenger. The AIF is charged on a per-local originating enplaned passenger basis.

Non-Aeronautical Revenues ("NAR") are earned from non-aeronautical commercial activities, such as concessions, real estate, parking, ground transportation, and other revenue. A significant portion of non-aeronautical revenues is correlated with passenger activity.

The following table summarizes the Authority's revenues for the three months and year ended December 31, 2022 and 2021.

	For the three months ended Dec 31			For the year ended Dec 31		
REVENUES ($ MILLIONS)	**2022**	**2021**	**2022/21** $ Change	**2022**	**2021**	**2022/21** $ Change
Airport Improvement Fees	**43.0**	27.1	15.9	**158.7**	68.0	90.7
Concessions	**18.0**	8.4	9.6	**66.6**	26.1	40.5
Car Parking	**10.5**	6.3	4.2	**36.5**	16.3	20.2
Land Rental	**6.0**	5.7	0.3	**23.6**	21.7	1.9
Terminal space rental	**2.4**	2.0	0.4	**9.4**	8.3	1.1
Other revenue	**0.4**	1.3	(0.9)	**3.2**	1.9	1.3
Interest income	**1.8**	0.1	1.7	**3.4**	0.3	3.1
Non-Aeronautical Revenues	**39.1**	23.8	15.3	**142.7**	74.6	68.1
General terminal fees	**18.5**	9.6	8.9	**52.5**	35.0	17.5
Aircraft landing fees	**7.1**	9.3	(2.2)	**41.6**	26.7	14.9
Other aeronautical fees	**3.5**	4.7	(1.2)	**20.4**	12.0	8.4
Aeronautical Revenues	**29.1**	23.6	5.5	**114.5**	73.7	40.8
Total Revenues	**111.2**	74.5	36.7	**415.9**	216.3	199.6
			% Change			% Change
Non-Aeronautical Revenue per Enplanement	**$20.24**	$19.20	5.4	**$19.83**	$24.02	(17.5)
Aeronautical Revenues per Landed Passenger Seat	**$12.53**	$13.58	(7.7)	**$12.79**	$16.13	(20.7)

AIF revenue was $43.0 million and $158.7 million for the three months and year ended December 31, 2022, respectively, an increase of $15.9 million, or 58.7%, and $90.7 million, or 133.4%, compared to the same periods of 2021. The main driver for the increased AIF revenue in the periods was local enplanement passenger traffic growth. Effective March 1, 2021, the AIF rate was increased by $5 per local enplanement.

Total NAR in the fourth quarter of 2022 increased by $15.3 million, or 64.3%, while full year NAR for 2022 increased $68.1 million, or 91.3%, from 2021. The increases are mainly due to higher passenger activity and targeted commercial initiatives, which drives most NAR revenue streams.

Concessions revenue includes percentage rent revenues generated from in-terminal concessionaires, in-terminal hotels, ground transportation providers, car rental providers, and advertising. The main driver of these revenue sources is passenger activity, hence, with passenger activity showing significant improvement, the positive effects can be seen in the Concessions revenue results. Concessions revenue was $18.0 million and $66.6 million in the three months and year ended December 31, 2022, respectively, an increase of $9.6 million, or 114.3%, and $40.5 million, or 155.2%, compared to the same periods of 2021. In 2022, YYC saw the reopening of 11 food and beverage, retail, and service locations, that were previously closed during the pandemic. An in-terminal hotel reopened December 2022, after being closed during the pandemic for renovations.

Car parking revenue was $10.5 million and $36.5 million in the three months and year ended December 31, 2022, respectively, an increase of $4.2 million, or 66.7%, and $20.2 million, or 123.9%, compared to the same periods of 2021. The increase was predominately driven by public parking from the increase in passenger activity in the year and the continued successful growth of YYC's online reservation system which has led to higher yielding bookings. YYC initiated a successful marketing campaign in Q4 through in-terminal, social, and radio advertising to drive new customers to YYC parking.

Land Rental revenue is generated by sub-leasing airport lands to companies that want to operate on YYC grounds. Most land lease agreements tend to be longer term and are usually at a fixed rate for the number of acres leased, some with escalation clauses, therefore, this revenue stream does not fluctuate with passenger activity. Land Rental revenue was $6.0 million and $23.6 million in the three months and year ended December 31, 2022, respectively, an increase of $0.3 million, or 5.3%, and $1.9 million, or 8.8%, compared to the same periods of 2021. The increase was due to annual rent escalations and the Authority adding a casino and two additional new tenants during 2022, coupled with a number of lease amendments with existing tenants that needed additional space.

Terminal Space Rental revenue is generated by leasing physical space inside the terminal buildings to companies that want to operate in the terminal. These leases are usually on a rent-per-square-foot basis, and include customer service counters and office space, as such, this revenue stream is not directly impacted by passenger activity. Terminal Space Rental revenue was $2.4 million and $9.4 million in the three months and year ended December 31, 2022, respectively, an increase of $0.4 million, or 20.0%, and $1.1 million, or 13.3%, compared to the same periods of 2021.

Other Revenue comprises revenue generated from activities such as Federal rent recovery fees, construction services, insurance proceeds, and pass office fees. In 2022, Other Revenue was $3.2 million, an increase of $1.3 million from 2021, mainly driven by a $1.5 million insurance proceeds received in the first quarter of 2022.

Total Aeronautical revenue of $29.1 million and $114.5 million in the three months and year ended December 31, 2022, respectively, were $5.5 million, or 23.3%, and $40.8 million, or 55.4%, higher than the same periods of 2021. The year-over-year increase was driven by increased aircraft landings, higher landed passenger seats and enplaned passengers, and increased bridge usage. The Authority has entered into long-term commercial agreements which include rebates of Aeronautical Fees if certain growth thresholds are achieved. The allocation of these rebates in the fourth quarter of 2022 resulted in a decrease in Aircraft Landing Fees and Other Aeronautical Fees of $2.2 million, or 23.7% decrease, and $1.2 million, or 25.5%, respectively for the three months ended December 31, 2022, when compared to the same period in 2021. General terminal fees increased $8.9 million, or 92.7% in the three months ended December 31, 2022, compared to the same periods of 2021, due to higher landed passenger seats net of rebates.

EXPENSES

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

The following table summarizes Authority's expenses for the three months and year ended December 31, 2022 and 2021.

	For the three months ended Dec 31			For the year ended Dec 31		
EXPENSES ($ MILLIONS)	**2022**	**2021**	**2022/2021** $ Change	**2022**	**2021**	**2022/21** $ Change
Goods and services	**33.2**	25.2	(8.0)	**117.7**	85.7	(32.0)
Salaries and benefits	**10.2**	9.9	(0.3)	**38.7**	28.0	(10.7)
Property taxes	**4.3**	4.4	0.1	**17.2**	17.5	0.3
Direct Operating Costs	**47.7**	39.5	(8.2)	**173.6**	131.2	(42.4)
Canada Lease	**10.3**	6.9	(3.4)	**41.8**	18.8	(23.0)
Airport improvement fee handling fees	**2.1**	1.7	(0.4)	**7.8**	4.2	(3.6)
Total Operating Expenses	**60.1**	48.1	(12.0)	**223.2**	154.2	(69.0)
Depreciation and amortization	**34.2**	34.1	(0.1)	**136.4**	136.5	0.1
Interest and financing costs	**27.2**	172.4	145.2	**113.4**	250.0	136.6
Pension benefits remeasurement loss/(gain)	**22.3**	(9.6)	(31.9)	**22.3**	(9.6)	(31.9)
Total Expenses	**143.8**	245.0	101.2	**495.3**	531.1	35.8
			% Change			% Change
Direct Operating Costs per E&D Passenger	**$12.35**	$15.65	21.1	**$12.01**	$20.74	42.1

Goods and services increased by $8.0 million, or 31.7%, and $32.0 million, or 37.3%, in the three months and year ended December 31, 2022, respectively, compared to the same periods of 2021. The increase in Goods and Services was largely due to the airport utilizing a reduced operational footprint in 2021 to manage costs and to match passenger activity, whereas in 2022 the facility was fully opened to accommodate the increased passenger and flight activity. While most operating costs for the airport facilities are fixed, certain goods and services costs scale with passenger traffic, so they naturally decreased in the quarters following the start of the pandemic, and are now returning to pre- pandemic levels, as passenger activity increases. The remainder of the increase was from higher utility costs, which increased by $5.2 million compared to 2021, as contractual rates increased at the start of the year, and consumption has scaled with the increased operational footprint.

Salaries and benefits costs increased by $0.3 million, or 3.0%, and $10.7 million, or 38.2%, in the three months and year ended December 31, 2022, respectively, compared to the same periods of 2021. As the Authority's workforce was reduced significantly at the start of the pandemic, the increase in the current year was driven mainly by higher direct salary costs due the increase in staffing levels required to support the higher passenger traffic and larger operational footprint of the airport. Also contributing to the higher expense in 2022 was $5.4 million CEWS benefits received in the year ended December 31, 2021, as this Federal program ended in October 2021.

Canada Lease expense at YYC increased by $3.4 million, or 49.3%, and $23.0 million, or 122.3%, in the three months and year ended December 31, 2022, respectively, compared to the same periods of 2021 due to higher revenues at YYC. The Canada Lease expense for 2022 and 2021 was recorded based on the contractual lease rate multiplied by the actual qualifying revenues for the entire period.

While Transport Canada did not waive rent for 2021, payments have been deferred until January 2024 over a 10-year period. For 2022, the Authority has resumed making monthly instalment payments as per the Canada Lease.

Airport improvement fee handling fees ("AIF Handling Fees") are correlated with total AIF revenue and calculated as a percentage of the Gross AIF collected by the airlines on behalf of the Authority and paid to the airlines. The AIF Collection Fee expense of $2.1 million and $7.8 million in the three months and year ended December 31, 2022, respectively, was $0.4 million, or 23.5%, and $3.6 million, or 85.7%, higher than the same periods of 2021 due to higher AIF revenue. As passenger activity recovered significantly in 2022, the AIF Handling Fees in 2022 were 5% of AIF revenue, compared to 6% in 2021 when reduced passenger activity at YYC resulting in being charged a higher rate by carriers per the agreement.

Interest and financing costs of $27.2 million and $113.4 million in the three months and year ended December 31, 2022, respectively, were $145.2 million, or 84.2% lower, and $136.6 million, or 54.6%, lower than the same periods of 2021. The decrease was largely due to the $146.0 million of pre-payment penalties charged for early termination of $1.9 billion debentures incurred by the Authority with the long-term debt restructuring that was completed on October 7, 2021. The Authority received deferral of interest payments for 2021, which were paid upon completion of the October 7, 2021, debt restructuring. For 2022, the Authority has resumed semi-annual interest payments with the first payment made on April 7, 2022.

SUMMARY OF QUARTERLY RESULTS

Select unaudited consolidated quarterly financial information for the quarters ended March 31, 2021, through December 31, 2022, is set out in the following table.

	QUARTER ENDED							
	2022				2021			
($ MILLIONS)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	111.2	129.5	102.4	72.8	74.4	72.9	36.1	32.9
Operating expenses	(60.1)	(59.1)	(53.5)	(50.5)	(48.0)	(38.2)	(31.9)	(36.1)
EBITDA	51.1	70.4	48.9	22.3	26.4	34.7	4.2	(3.2)
Post-employement pension benefits	(22.3)	—	—	—	9.6	—	—	—
Depreciation and amortization	(34.2)	(34.1)	(34.1)	(34.0)	(34.1)	(34.0)	(34.2)	(34.2)
Interest and financing costs	(27.2)	(29.0)	(28.7)	(28.5)	(172.4)	(25.9)	(26.0)	(25.7)
Net (Loss) Income	(32.6)	7.3	(13.9)	(40.2)	(170.5)	(25.2)	(56.0)	(63.1)

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

Quarterly results for the Authority are influenced by passenger activity and aircraft movements, which tend to be cyclical in nature and vary with travel demand, which is typically higher in Q3, with holiday periods and other seasonal factors. The quarterly EBITDA clearly shows the recovery experienced since Q3 2021.

CAPITAL PROJECTS

The Authority focuses on capital programs and projects which improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience.

The following table provides information on the actual capital expenditures for the three months and year ended December 31, 2022 and 2021.

	For the three months ended Dec 31			For the year ended Dec 31		
CAPITAL EXPENDITURES ($ MILLIONS)	**2022**	**2021**	**2022/21** $ Change	**2022**	**2021**	**2022/21** $ Change
Improvement Projects	**9.0**	5.3	3.7	**20.2**	11.3	8.9
Restoration Capital	**6.2**	1.7	4.5	**17.7**	12.8	4.9
Revenue Projects	**1.3**	0.2	1.1	**3.8**	1.3	2.5
Capital Expenditures	**16.5**	7.2	9.3	**41.7**	25.4	16.3
Capital Leases	**—**	1.7	—	**—**	3.4	(3.4)
Total Capital	**16.5**	8.9	7.6	**41.7**	28.8	12.9

Capital expenditures in the fourth quarter of 2022 were $16.5 million, an increase of $9.3 million compared to the same period of 2021. Total capital expenditures for 2022 was $41.7 million.

The most significant current capital projects, progress-to-date and capital funds expended by the Authority in millions are as follows:

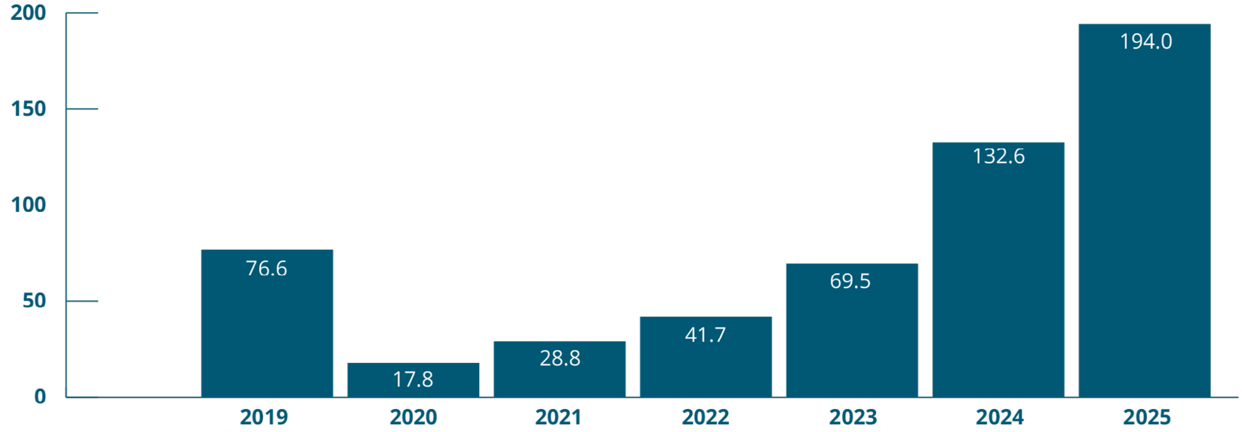
PROJECT NAME	DESCRIPTION	CURRENT YEAR SPEND ($ MILLIONS)	SPEND TO DATE ($ MILLIONS)	APPROXIMATE TOTAL PLANNED ($ MILLIONS)	EXPECTED COMPLETION
West Runway Reconstruction*	Full removal & replacement to modernize elements of the West Runway	8.3	10.7	200.0	2025
Airside Pavement Restoration Program**	Remove & replace aging concrete apron panels	6.1	N/A	N/A	N/A
Fire Sprinkler System Restoration	Modernize Fire Sprinkler System in the Domestic Terminal Building	4.4	5.6	50.0	2034
Parkade Restoration	Upgrade aging infrastructure in the P1 parkade	2.5	3.6	30.0	2030
Concourse B Transformer Upgrades	Upgrade the electrical distribution system in Concourse B	0.7	0.7	7.8	2024

** The Authority was approved for grant funding of $57.5 million under the Airport Critical Infrastructure Program (ACIP) for the West Runway Reconstruction project and has currently accrued $7.0 million for claims submitted.*

*** The Airside Pavement Restoration Program is on ongoing annual effort at a current expected cost of $10.0 million per annum.*

The following table provides information on the actual capital expenditures for 2019, 2020 , 2021 and 2022 and the Authority's forecasted capital expenditures for 2023 to 2025, with the West Runway Reconstruction Project the main driver for increase of the period.

TOTAL CAPITAL EXPENDITURE
$ millions



ASSETS AND LIABILITIES

Total consolidated assets, liabilities and net deficit as at December 31, 2022, and 2021 are set out in the following table:

NET ASSETS ($ MILLIONS)	AS AT DEC 31, 2022	AS AT DEC 31, 2021	2022/21 $ Change
Total assets	**3,186.3**	3,235.3	(49.0)
Total liabilities	**3,418.5**	3,388.1	(30.4)
Net deficit	**(232.2)**	(152.8)	(79.4)

At December 31, 2022, when compared to December 31, 2021, the Authority's total assets decreased by $49.0 million, primarily due to a $94.7 million decrease in capital and intangible assets as a result of the reduced capital program not offsetting the annual depreciation expense, partially offset by a $52.7 million increase in cash due to improved EBITDA performance. The Authority's total liabilities increased by $30.4 million, primarily due to a $39.5 million increase in Accounts payable and accrued liabilities due mainly to the timing difference between recording of Canada Lease expense in the current year and the actual payment of the annual true-up in March of the subsequent year, partially offset by a $6.5 million reduction in Long-Term Debt and $3.4 million lower Pension Liability.

The Authority has a Net Deficit position of $232.2 million as at December 31, 2022, mainly due to the impact of COVID-19 since 2020 and the $146.0 million penalty paid on prepayment of long-term debt as a result of the debt restructuring on October 7, 2021.

LIQUIDITY AND CAPITAL RESOURCES

The following table provides cash flow information for the three months and year ended December 31, 2022:

	For the three months ended Dec 31			For the year ended Dec 31		
CASHFLOW ($ MILLIONS)	**2022**	**2021**	**2022/21** $ Change	**2022**	**2021**	**2022/21** $ Change
Cash (used)/generated by operating activities	**(8.9)**	41.3	(50.2)	**97.4**	77.6	19.8
Cash used in investing activities	**(10.7)**	(13.5)	2.8	**(37.0)**	(24.3)	(12.7)
Penalty paid on prepayment of long-term debt	**—**	(146.0)	146.0	**—**	(146.0)	146.0
Repayment of lease liabilities	**(0.1)**	—	(0.1)	**(0.5)**	(0.3)	(0.2)
Transactions costs incurred on issuance of debt	**—**	(14.1)	14.1	**—**	(14.1)	14.1
Borrowings (repayments), net	**(3.6)**	209.7	(213.3)	**(7.2)**	161.5	(168.7)
Increase in cash and cash equivalents	**(23.3)**	77.4	(100.7)	**52.7**	54.4	(1.7)

Net cash flows decreased $23.3 million for the three months ended December 31, 2022, decrease of $100.7 million compared to the same period of 2021 due to lower cash generated by operating activities and lower cash from financing activities. Net cash flows increased $52.7 million for the year ended December 31, 2022, decrease of $1.7 million compared to the same period of 2021 due to higher cash used in investing activities and net repayment of debt, partially offset by higher cash generated by operating activities.

The following table provides information on the Authority's Free Cash Flow for the three months and year ended December 31, 2022:

	For the three months ended Dec 31			For the year ended Dec 31		
CASHFLOW ($ MILLIONS)	**2022**	**2021**	**2022/21** $ Change	**2022**	**2021**	**2022/21** $ Change
Net Income (Loss)	**(32.6)**	(170.5)	137.9	**(79.4)**	(314.8)	235.4
Add: Depreciation and amortization	**34.2**	34.1	0.1	**136.4**	136.5	(0.1)
Interest and financing costs	**27.2**	172.4	(145.2)	**113.4**	250.0	(136.6)
Pension benefits remeasurement loss/(gain)	**22.3**	(9.6)	(31.9)	**22.3**	(9.6)	(31.9)
EBITDA	**51.1**	26.4	24.7	**192.7**	62.1	130.6
Less: Interest and financing costs, net of prepayment penalty and deferrals	**(27.2)**	(0.4)	(26.8)	**(113.4)**	(1.5)	(111.9)
Add: Canada Lease deferral	**—**	6.9	(6.9)	**—**	18.8	(18.8)
Free Cash Flow	**23.9**	32.9	(9.0)	**79.3**	79.4	(0.1)
			% Change			% Change
Free Cash Flow per E&D Passenger	**$6.19**	$13.04	$(52.5)	**$5.49**	$12.55	$(56.3)

Free Cash Flow is the Authority's measure of the net result generated by operations, less debt service costs, excluding working capital changes, in the year. Free Cash Flow can be used at management's discretion to fund non-operation spending, such as capital expenditures or principal repayment of debt. Free Cash Flow is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

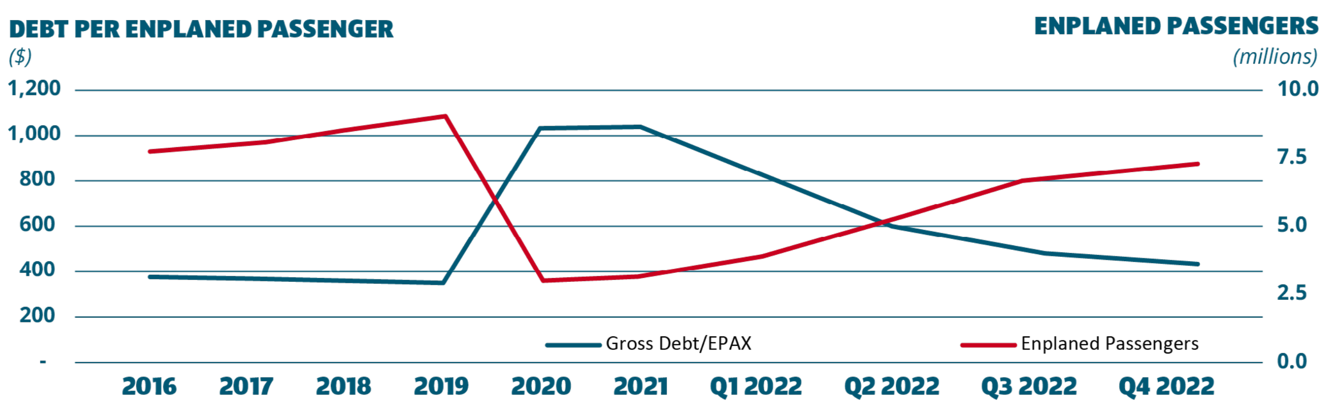
The following table provides information on Authority's debt position at December 31, 2022 and 2021:

LONG TERM DEBT ($ MILLIONS)	AS AT DEC 31, 2022	AS AT DEC 31, 2021	2022/21 $ Change
Long Term Debt, including current portion	**3,269.8**	3,276.0	6.2
Cash	**173.6**	120.9	52.7
Net Debt	**3,906.2**	3,155.1	58.9
Key Credit Metrics			% Change
Debt Service Coverage Ratio	**1.65**	0.25	
Gross Debt Service Coverage Ratio	**5.01**	1.63	
Gross Debt/Enplaned Passenger ($)	**$454.32**	$1,055.31	56.9
Net Debt/Enplaned Passenger ($)	**$430.20**	$1,016.36	57.7

Key Credit Metrics in the above table have been calculated based on operating results for the twelve months ended December 31, 2022.

As at December 31, 2022, long-term debt remained at $3.3 billion, while net debt decreased by $58.9 million to $3.1 billion mainly due to the increase in cash. Net Debt is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The MTI Agreement contains certain financial covenants to be calculated on a yearly basis. The Authority received covenant waivers from the Trustee up to January 1, 2023. Accordingly, as at the date of the audited annual financial statements' authorization, the Authority is not in breach of its covenants. Based on a trailing twelve-month calculation, the Authority exceeded the required covenant threshold as per the MTI Agreement.



Gross debt per enplaned passenger is one of the airport industry's key financial metrics. As at December 31, 2022, gross debt per enplaned passenger decreased to $454.32, while net debt per enplaned passenger decreased to $430.20, both as a result of the increase in passenger activity experienced in the fourth quarter of 2022.

The Authority's debt per enplaned passenger was on a downward trajectory over the last several years; however, it increased significantly in 2020 due to higher debt and lower passenger volumes from the impacts of the COVID-19 pandemic, and with increases in passenger traffic as the recovery continues is now trending towards historical levels, as illustrated in the above chart. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" for additional information.

The following table provides information on Authority's debt position at December 31, 2022 and 2021:

LIQUIDITY & CREDIT FACILITIES ($ MILLIONS)	AS AT DEC 31, 2022	AS AT DEC 31, 2021	2022/21 $ Change
1) Cash and cash equivalents	**173.6**	120.9	52.7
Credit facilities:			
2) Available Operating Credit Facility	**332.5**	332.5	—
Less: Letters issued	**(49.3)**	(49.8)	0.5
Operating Credit Facility	**283.2**	282.7	0.5
Total net liquidity (including cash)	**456.8**	403.6	53.2
3) Available Letter of Credit Facility	**70.0**	70.0	—
Less: Letters issued	**(60.0)**	(60.0)	—
Letter of Credit Facility	**10.0**	10.0	—

As at December 31, 2022, the Authority's total net liquidity was $456.8 million, an increase of $53.2 million, or 13.2%, from December 31, 2021. The increase in 2022 was due to an extra $52.7 million available cash and cash equivalents due to $97.4 million cash generated from operating activities partially offset by investing and financing activities in the period.

Under the terms of the Landlord Acknowledgement Agreement the total amount of the bonds issued under the MTI Agreement is limited to $4 Billion. This limit can be revised with the permission of Transport Canada. However, under the supplementals this limit cannot be increased before January 1, 2023. The following table represents the Authority's available debt capacity as of December 31, 2022 and December 31, 2021:

DEBT CAPACITY ($ MILLIONS)	AS AT DEC 31, 2022	AS AT DEC 31, 2021	2022/21 $ Change
Total Debt Limit	**4,000.0**	4,000.0	—
Obligation Bonds issued	**(3,282.6)**	(3,289.9)	7.3
Pledged Bond issued - New Operating Facility	**(385.0)**	(385.0)	—
Pledged Bond issued - New L/C Facility	**(77.0)**	(77.0)	—
Available Debt Capacity	**255.4**	248.1	7.3

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 Authority. While these financial measures are not defined by the Canadian Accounting Standard for Private Enterprises ("ASPE"), 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 Authority in assessing its operating results, including operating profitability, cash flow and investment program.

EBITDA AND EBITDA MARGIN

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

FREE CASH FLOW

Free Cash Flow is the Authority's measure of the net result generated by operations less debt service cost paid, excluding working capital changes, in the year.

FREE CASH FLOW PER E&D PASSENGER

Free Cashflow per E&D Passenger is defined as Free Cash Flow over total Enplaned and Deplaned (E&D) passengers. Free Cashflow per E&D Passenger is used to evaluate how effective the business is at turning volume into residual cashflow to invest in the facility.

GROSS DEBT

Gross Debt is Long Term Debt, including current portion, from the Authority's Balance Sheet.

GROSS DEBT PER ENPLANED PASSENGER

Gross Debt per Enplaned Passenger is defined as Gross Debt over total enplaned passengers. Gross debt per Enplaned Passenger is commonly used by airports and other users to assess an appropriate debt burden for an airport.

NET DEBT

Net Debt is defined as Gross Debt (Long Term Debt, including current portion) less Cash and Cash Equivalents.

NET DEBT PER ENPLANED PASSENGER

Net Debt per Enplaned Passenger is defined as net debt over total enplaned passengers. Net debt per Enplaned Passenger is commonly used by airports and other users to assess an appropriate debt burden for an airport.

NON-AERONAUTICAL REVENUE PER ENPLANEMENT

Non-Aeronautical Revenue per Enplanement is defined as total Non-Aeronautical revenues including concessions, land rental, car parking, terminal space rental, interest income and other revenue not associated with airport improvement fees or aeronautical fees, over total enplaned passengers. Non- Aeronautical Revenue per Enplanement is commonly used by airports and other users to assess how well commercial revenue is being generated from the users of the airport.

AERONAUTICAL REVENUE PER LANDED PASSENGER SEAT

Aeronautical Revenue per Landed Passenger Seat is defined as Aeronautical revenues including general terminal fees, aircraft landing fees, and other aeronautical fees, over Landed Passenger Seats. Aeronautical Revenue per Landed Passenger Seat is commonly used by airports to represent the approximate incremental cost incurred by airline partners to add additional flights and capacity.

DIRECT OPERATING COST PER E&D PASSENGER

Direct Operating Cost per E&D Passenger is defined as Direct Operating Costs, consisting of salaries and benefits, goods and services, and property taxes, over total Enplaned and Deplaned (E&D) passenger. Direct Operating Cost per E&D Passenger is used to assess how efficiently the airport is being operated from a cost efficiency perspective relative to the volume of users of the airport.

GLOSSARY

ENPLANED AND DEPLANED (E&D) PASSENGERS:

E&D Passengers are defined as the total number of passengers boarding an aircraft at YYC plus the total number of passengers disembarking from an aircraft at YYC as reported by air carriers on a regular basis.

ENPLANED PASSENGERS:

Enplaned passengers are defined as the total number of passengers boarding an aircraft at YYC as reported by air carriers on a regular basis.

LANDED PASSENGER SEATS:

Landed Passenger Seats is defined as the total seating capacity in aggregate of all passenger aircraft arriving at the terminal buildings.

MTOW:

MTOW is an aviation abbreviation used to describe the maximum take-off weight of an aircraft.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Specific forward-looking information in this document includes, among others, statements regarding the following: the ongoing impact of COVID-19 including on the long-term financial sustainability of the Airport; expected domestic and international passenger traffic and cargo; expected return to pre-COVID-19 passenger and flight levels; future Airport demand or activity; the Authority's borrowing requirements and its ability to access the capital markets, including in respect of the ability of the Authority to refinance maturing debt as and when needed; the Authority's ability to comply with its contractual covenants, including those related to its outstanding debt; debt levels and service costs; revenues, cash flows, working capital and liquidity; capital projects and other developments at the Airport and the timing, budgets and funding of such projects and developments; forecasted capital expenditures for 2023 to 2025; and the funding of outstanding capital commitments.

There is inherently more uncertainty associated with the material factors and assumptions underlying the forward-looking information contained in this document compared to prior periods due to the COVID-19 pandemic. Travel demand is volatile and may be significantly impacted by changing government restrictions in Canada and around the world, the emergence of new variants of COVID-19 and public concerns about travel due to COVID-19 and other public health emergencies. While conditions improved significantly in 2022, there can be no assurance that future developments or responses to the COVID-19 pandemic or other public health emergencies will not materially impact demand for air travel and the Authority's business.

Other material factors and assumptions include: the continued impact of the COVID-19 pandemic and expected duration thereof; government and passenger actions; the post-pandemic economic recovery, including the continued recovery of flight and passenger activity to pre-pandemic levels; the YYC's population base and diversified economy will provide the basis for strong aviation demand in the future; air carrier capacity will meet future demand for air travel in the Calgary; Calgary will continue to attract domestic and international travelers; no other significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; the Authority will be able to access the capital markets at competitive terms and rates; and no significant cost overruns relating to capital projects will occur. These assumptions are based on information currently available to the Authority, including information obtained by the Authority from third-party experts and analysts.

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

The forward-looking information contained in this document represents expectations as of the date of this report and is subject to change. The Authority 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.

YYC CALGARY AIRPORT AUTHORITY

THE CALGARY AIRPORT AUTHORITY FINANCIAL STATEMENTS

For the year ended December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Calgary Airport Authority (the "Authority") is responsible for the preparation and fair presentation, in accordance with Canadian Accounting Standards for Private Enterprises, of the financial statements. The financial statements and notes include all disclosures necessary for a fair presentation of the financial position, result of operations and cash flows of the Authority in accordance with Canadian Accounting Standards for Private Enterprises, and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Authority's management maintains appropriate accounting and internal control systems, 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 the financial statements. These financial statements also include amounts that are based on estimates and judgements, which reflect currently available information.

The financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, who were appointed by the Board of Directors.

The Audit and Finance Committee of the Board of Directors is composed of six directors who are not employees of the Authority. The Committee meets periodically with management and the independent external auditors to review any significant accounting, internal control and auditing matters. The Audit and Finance Committee also reviews and recommends the annual financial statements of the Authority together with the independent auditor's report to the Board of Directors which approves the financial statements.

Robert (Bob) Sartor
President & Chief Executive Officer

Robert J. Palmer
Vice President, Commercial, Strategy &
Chief Financial Officer

March 8, 2023
Calgary, Alberta

Independent auditor's report

To the Board of Directors of The Calgary Airport Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Calgary Airport Authority (the Authority) as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

What we have audited
The Authority's financial statements comprise:

- the balance sheet as at December 31, 2022;
- the statement operations and net deficit for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 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 Authority in accordance with the ethical requirements that are relevant to our audit of the 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 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 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 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 financial statements

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

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Authority'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 Authority'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 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Calgary, Alberta
March 8, 2023

BALANCE SHEET

AS AT DECEMBER 31, 2022 AND 2021

AS AT ($ MILLIONS)	NOTE	DECEMBER 31, 2022	DECEMBER 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 173.6**	$ 120.9
Accounts receivable	10, 15	**35.4**	18.0
Inventory	3	**7.4**	5.6
Prepaid expenses		**3.3**	3.2
		219.7	147.7
Tenant Inducements		**4.4**	4.9
Other long-term assets and prepaid expenses		**2.7**	3.5
Capital Assets	4, 12	**2,946.8**	3,040.6
Intangible Assets	5	**1.0**	1.9
Pension Asset	14	**11.7**	36.7
		$ 3,186.3	$ 3,235.3
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	15, 20	**57.9**	18.4
Interest payable on long-term debt	6, 15	**26.5**	26.6
Deferred revenue		**0.5**	0.3
Current portion of other long-term liabilities	8, 13	**11.2**	8.6
Current portion of long-term debt	6, 15	**7.5**	7.2
		103.6	61.1
Other Long-term Liabilities	8, 15	**39.4**	41.6
Pension Liability	14	**13.2**	16.6
Long-Term Debt	6	**3,262.3**	3,268.8
		$ 3,418.5	$ 3,388.1
Net Deficit		**(232.2)**	(152.8)
		$ 3,186.3	$ 3,235.3

See accompanying notes to the financial statements.

Approved by the Board of Directors:

Matthew Heffernan
Board Chair

Donald Cormack
Chair of Audit and Finance Committee

STATEMENT OF OPERATIONS AND NET DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

FOR THE YEAR ENDED ($ MILLIONS)	NOTE	DECEMBER 31, 2022	DECEMBER 31, 2021
REVENUES			
Airport improvement fees	9	**$ 158.7**	$ 68.0
Non-aeronautical revenues	10, 11		
Concessions		**66.6**	26.1
Car parking		**36.5**	16.3
Land rental	16	**23.6**	21.7
Terminal space rental		**9.4**	8.3
Interest income		**3.4**	1.9
Other revenue		**3.2**	0.3
		142.7	74.6
Aeronautical revenues			
General terminal fees		**52.5**	35.0
Aircraft landing fees		**41.6**	26.7
Other aeronautical fees		**20.4**	12.0
		114.5	73.7
		415.9	216.3
EXPENSES			
Goods and services	3	**117.7**	85.7
Canada Lease	13	**41.8**	18.8
Salaries and benefits	11, 16	**38.7**	28.0
Property taxes		**17.2**	17.5
Airport improvement fee handling fees	9	**7.8**	4.2
		223.2	154.2
Earnings before interest and financing costs and amortization		**192.7**	62.1
Depreciation and amortization	4, 5	**136.4**	136.5
Interest and financing costs	17	**113.4**	250.0
Loss from Operations		**$ (57.1)**	$ (324.4)
Other Income (Expense)			
Post-employment pension benefits remeasurement (loss)/gain	14	**(22.3)**	9.6
Net Loss		**$ (79.4)**	$ (314.8)
Net Deficit, Beginning of Year		**$ (152.8)**	$ 162.0
Net Deficit, End of Year		**$ (232.2)**	$ (152.8)

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

FOR THE YEAR ENDED ($ MILLIONS)	NOTE	DECEMBER 31, 2022	DECEMBER 31, 2021
OPERATING			
Net loss		$ **(79.4)**	$ (314.8)
Employer defined benefit contributions	14	**(1.4)**	(1.7)
Adjustments:			
Depreciation and amortization	4, 5	**136.4**	136.5
Amortization of deferred financing costs	6	**1.1**	0.2
Post-employment pension benefits	14	**22.8**	(8.7)
Penalty incurred on prepayment of long-term debt	6	**—**	146.0
Interest expense converted to long-term debt	6	**—**	78.7
		79.5	36.2
Changes in non-cash working capital:			
Accounts receivable		**(11.9)**	1.9
Inventory		**(1.8)**	(0.2)
Prepaid expenses		**(0.1)**	—
Tenant Inducements		**0.5**	(0.4)
Other long-term assets and prepaid expenses		**0.8**	(3.3)
Accounts payable and accrued liabilities		**33.1**	0.9
Interest payable on long-term debt		**(0.1)**	26.4
Deferred revenue		**0.2**	(0.1)
Other liabilities		**(2.8)**	16.2
		17.9	41.4
Cash provided by operating activities		**97.4**	77.6
FINANCING			
Repayment on operating facility	7	**—**	(50.0)
Repayment on long-term debt	6	**(7.2)**	(1,867.0)
Transaction costs incurred on issuance of long-term debt	6	**—**	(14.1)
Purchased leased assets	12	**—**	3.5
Repayment of lease liabilities	12	**(0.5)**	(0.3)
Penalty paid on prepayment of long-term debt	6	**—**	(146.0)
Proceeds from new long-term debt	6	**—**	2,075.0
Cash (used in)/from financing activities		**(7.7)**	1.1
INVESTING			
Investment in capital and intangible assets	4, 5	**(41.7)**	(28.8)
Government capital grants funds received	11	**1.5**	—
Change in accounts payable and accrued liabilities related to capital and intangible assets		**3.2**	4.4
Proceeds from disposals of inventory and capital assets		**—**	0.1
Cash used in investing activities		**(37.0)**	(24.3)
Increase in cash and cash equivalents		$ **52.7**	$ 54.4
Cash and cash equivalents, beginning of year		$ **120.9**	$ 66.5
Cash and cash equivalents, end of year		$ **173.6**	$ 120.9
Cash and cash equivalents consists of:			
Cash in bank		$ **113.6**	$ 120.9
Short-term investments		**60.0**	$ —
		$ **173.6**	$ 120.9

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars, unless otherwise indicated)

1 DESCRIPTION OF BUSINESS

The Calgary Airport Authority (the “Authority”) was incorporated on July 26, 1990 under the Regional Airports Authorities Act (Alberta) (the “Act”) as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region.

The Authority has been operating YYC Calgary International Airport since July 1992 pursuant to the Agreement to Transfer which provided for the transfer of operational control of YYC Calgary International Airport from the Government of Canada to the Authority under a long-term lease agreement (the “Canada Lease”). The Canada Lease has an initial term of 60 years with a 20-year option to extend which was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport (the “Springbank Lease”) for a term concurrent with the Canada Lease term. The Canada Lease term expires June 30, 2072.

Pursuant to the Act, the Authority reinvests all surplus in the capital renovation and expansion requirements of the airports for which it is responsible. The Authority is authorized to borrow for investment in airport infrastructure and operations. Capital includes investment in both leasehold and freehold assets of the Authority, as detailed in Note 4 and 5. Renovation requirements are determined through life-cycle management processes and physical asset inspections, while expansion requirements are determined in reference to airport capacity and demand. Capital requirements are generally determined on an annual basis in conjunction with the Authority’s business plan, although larger projects may involve financial commitments that extend beyond one year. The Authority conducts an annual re-evaluation of projected economic conditions and facility demand factors.

Management continues to analyze the extent of the financial impact of COVID-19 on its financial position, financial performance and cash flow which was significant for 2021. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the Authority believes that the outbreak will not have a material impact on the long-term financial sustainability of the Airport.

These audited financial statements were approved on March 8, 2023 by the Board of Directors.

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF MEASUREMENT AND PRESENTATION

These annual financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises (“ASPE”), which sets out generally accepted accounting principles (“GAAP”). The annual financial statements have been prepared on a going-concern basis using historical cost, except for the revaluation of certain financial assets and liabilities measured at fair value.

REVENUE RECOGNITION

Aircraft landing fees, general terminal fees, other aeronautical fees and car parking revenues are recognized as the airport facilities are utilized. The Airport Improvement Fee ("AIF") revenue is recognized when originating departing passengers board their aircraft as reported by the airlines. Other revenue is recognized when earned or services rendered.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term investments that are highly liquid in nature and have an original term of 90 days or less.

ACCOUNTS RECEIVABLE

Receivables are recorded net of the allowance for doubtful accounts in the Balance Sheet. The Authority regularly analyzes and evaluates the collectability of the accounts receivable based on a combination of factors. If circumstances related to the collectability change, the allowance for doubtful accounts is further adjusted. Accounts are written off when collection efforts have been exhausted and future recovery is unlikely.

INVENTORY

Inventory consists of consumable parts and supplies held for use by the Authority. Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. Net realizable value is determined as being the estimated replacement cost.

LEASES

COVID-19-RELATED RENT CONCESSIONS

The Authority applied the optional practical expedient from the amendment effective for fiscal year ended on or after December 31, 2021 for Section 3065, Leases, allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications, consistently to eligible contracts with similar characteristics and in similar circumstances. This expedient is only applicable for payments originally due on or before December 31, 2022. For all other rent concessions in leases, the Authority assesses whether there is a lease modification.

LEASES (AS LESSEE)

The Canada Lease and Springbank Lease are accounted for as operating leases.

LEASES (AS LESSOR)

Concession revenues are earned on a monthly basis and based on a percentage of sales or specified minimum rent guarantees from concessionaires, or it can be earned based on a combination of monthly contract payments and utilization fees. Rental income from land and terminal space are recognized monthly over the duration of the respective agreements.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost less accumulated depreciation. Cost includes all expenditures that are directly attributable to the acquisition or construction of an asset which are required to bring the asset into service. Costs associated with cloud computing arrangements are amortized over the life of the initial license term.

Depreciation is recognized over the estimated useful life using the following rates:

CAPITAL AND INTANGIBLE ASSETS DEPRECIATION SCHEDULE		
Leased land	over the remaining term of the Canada Lease	straight line
Buildings & structures	10–51 years	straight line
Computer equipment	3 years	straight line
Vehicles	18–30%	declining balance
Machinery & equipment	10–30 years	straight line
Furniture & fixtures	15 years	straight line
Computer software	3 years	straight line

The Authority has purchased land for operational purposes and future development. The Canada Lease requires that the land be transferred to the Government of Canada at commencement of development, at which time the Authority reclassifies the Land to Leased land and commences depreciation on a straight-line basis over the remaining full fiscal years of the Canada Lease.

The various components of the Buildings & Structures class include air terminal buildings, other buildings and structures, roadways, and airfield surfaces. This asset class is depreciated based on the estimated economic useful life of the component asset, limited to the term of the Canada Lease, as ownership of all Authority assets will revert to the Government of Canada upon the expiration of the Canada Lease.

Construction work in progress is capitalized at cost. Costs are transferred to the appropriate capital asset account, and depreciation commences when the project is substantially complete, and the assets become operational.

BORROWING COSTS

Borrowing costs incurred from the long-term debt utilized for the construction of capital assets are added to the cost of those assets during the period of time that is necessary to complete and prepare the asset for its intended use. All other borrowing costs are recognized on the Statement of Operations and Net Deficit under "Interest and financing costs" expense.

IMPAIRMENT

Long lived assets are tested for impairment when events and circumstances indicate the carrying amount may not be recoverable from future operations. When indicators of impairment in the carrying value of the assets exist, an impairment loss is recognized on a long-lived asset when its carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The amount of the loss is determined by deducting the asset's fair value (based on discounted cash flows expected from its use and disposition) from its carrying value.

EMPLOYEE FUTURE BENEFITS

The Authority maintains defined benefit and defined contribution pension plans for eligible employees. New permanent employees are members of the defined contribution pension plan upon hire. Term employees become members of the defined contribution pension plan after completion of 24 months of continuous service. The defined benefit pension plan has both defined benefit and defined contribution components. The defined benefit plan was closed to new non-union employees effective January 1, 2010 and union employees effective August 1, 2013. The Authority does not provide any post-retirement benefits. The pension cost for the defined contribution plan and defined contribution component of the defined benefit plan are expensed in the year the contribution has been earned.

Actuarial valuations for the defined benefit pension plans are calculated annually by accredited actuaries using the projected benefits method and assumptions for the discount rate, salary escalation and retirement timelines. The related pension benefit asset/liability recognized on the Balance Sheet is the present value of the pension benefit obligation as at the Balance Sheet date less the fair value of plan assets, if any. The present value of the benefit obligations 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 for the non-registered defined benefit plan and going concern discount rate for the registered defined benefit plan that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in full in the period in which they occur, is included on the Statement of Operations and Net Deficit under "Post-employment pension benefits" expense. Current service costs are included on the Statement of Operations and Net Deficit under "Salaries and benefits" expense. Past service costs are recognized immediately to the extent the benefits are vested. For funded pension plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Authority can unilaterally reduce future contributions to the pension plan. The change in the pension benefit obligation in the year is included on the Statement of Operations and Net Deficit under "Post-employment pension benefits" expense.

DEFERRED REVENUE

Deferred revenue consists primarily of land leasing, space rental and aeronautical fee revenue received in advance of land or facilities being utilized.

GOVERNMENT ASSISTANCE

The Authority recognizes government assistance, when there is reasonable assurance that the Authority has complied with and will continue to comply with all of the conditions of the assistance. Assistance related to capital assets are deferred as "Government capital grants accrued" in "Other long-term liabilities" on the Balance Sheet and then amortized on the same basis as the useful life assigned to the capital asset. Assistance relating to operating costs, is recognized as a reduction of the respective expense.

FINANCIAL INSTRUMENTS

Financial assets, including cash and cash equivalents, accounts receivable and long-term receivables are initially measured at fair value and subsequently carried at amortized cost.

Financial liabilities, including accounts payable and accrued liabilities, other liabilities, operating line of credit and long-term debt are initially measured at fair value and subsequently carried at amortized cost.

Financial assets and liabilities resulting from related party transactions are initially measured at cost.

Financial assets and liabilities are classified as current if payments are due within 12 months of the Balance Sheet date. Otherwise, they are presented as non-current in the Balance Sheet.

Transaction costs for obtaining debt financing other than line of credit arrangements are recognized as a direct deduction from the related debt liability on the Balance Sheet. The deferred charges are amortized over the life of the related debt and included in "Interest and financing costs" expense on the Statement of Operations and Net Deficit.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Canadian dollars, which is the Authority'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 Authority's functional currency are recognized on the Statement of Operations and Net Deficit.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses and other income (expense) during the reporting period. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, accrued liabilities, allowance for doubtful accounts, useful lives for depreciation of capital assets, and assumptions with respect to employee future benefit plans. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Authority continues to evaluate the impact of new and revised standards and interpretations. The new amendments that have been issued with the effective date starting on January 1, 2022 did not have a material impact on the Authority's financial statements except for:

ACG-20, CUSTOMER'S ACCOUNTING FOR CLOUD COMPUTING ARRANGEMENTS

This Guideline provides guidance on accounting for a customer's expenditures in a cloud computing arrangement and determining whether a software intangible asset exists in the arrangement. The guideline is effective for fiscal years beginning on or after January 1, 2024, with earlier application permitted. The Authority adopted the simplified approach permitted by the guidance as at January 1, 2022. The Authority will defer all eligible costs incurred in the configuration and setup of a cloud computing arrangement and will amortize over the life of the initial license term. The impact to the Authority's financial statements was a reclassification of $2.1 million of Intangible Assets to Other long-term assets and prepaid expenses for the year ended December 31, 2021.

3 INVENTORY

At December 31, 2022, all inventories are carried at weighted average cost. During the year, inventory used of $3.4 million (2021 - $3.4 million) was recognized on the Statement of Operations and Net Deficit under "Goods and Services" expense, of which $0.1 million (2021 - $0.1 million) was written off due to obsolescence.

AS AT	DECEMBER 31, 2022		DECEMBER 31, 2021	
Materials	**$**	**6.7**	$	5.1
Liquids		**0.7**		0.5
	$	**7.4**	$	5.6

4 CAPITAL ASSETS

As at December 31, 2022	Land	Leased Land	Buildings & Structures	Computer Equipment	Vehicles	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Total
Cost:									
Beginning Balance	$ 5.8	$ 28.0	$ 4,203.1	$ 40.4	$ 45.2	$ 161.3	$ 20.3	$ 7.1	$ 4,511.2
Additions	—	1.6	0.1	—	—	1.1	—	38.7	41.5
Transfers	—	—	2.6	—	0.2	0.1	—	(2.9)	—
Disposals and write-offs	—	—	—	—	(0.1)	(0.3)	—	—	(0.4)
Ending Balance	5.8	29.6	4,205.8	40.4	45.3	162.2	20.3	42.9	4,552.3
Accumulated Amortization									
Beginning Balance	—	5.4	1,343.5	39.5	34.5	40.5	7.2	—	1,470.6
Depreciation & Amortization	—	0.5	127.7	0.8	1.7	3.9	0.7	—	135.3
Disposals and write-offs	—	—	—	—	(0.1)	(0.3)	—	—	(0.4)
Ending Balance	—	5.9	1,471.2	40.3	36.1	44.1	7.9	—	1,605.5
Net Carrying Value	$ 5.8	$ 23.7	$ 2,734.6	$ 0.1	$ 9.2	$ 118.1	$ 12.4	$ 42.9	$ 2,946.8

As at December 31, 2021	Land	Leased Land	Buildings & Structures	Computer Equipment	Vehicles	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Total
Cost:									
Beginning Balance	$ 5.8	$ 24.5	$ 4,368.9	$ 66.4	$ 42.9	$ 170.4	$ 25.4	$ 3.7	$ 4,708.0
Additions	—	3.5	14.2	0.7	3.5	1.0	—	4.9	27.8
Transfers	—	—	1.5	—	—	—	—	(1.5)	—
Disposals and write-offs	—	—	(181.5)	(26.7)	(1.2)	(10.1)	(5.1)	—	(224.6)
Ending Balance	5.8	28.0	4,203.1	40.4	45.2	161.3	20.3	7.1	4,511.2
Accumulated Amortization									
Beginning Balance	—	4.9	1,401.1	64.8	34.0	44.1	11.6	—	1,560.5
Depreciation & Amortization	—	0.5	123.9	1.4	1.7	6.5	0.7	—	134.7
Disposals and write-offs	—	—	(181.5)	(26.7)	(1.2)	(10.1)	(5.1)	—	(224.6)
Ending Balance	—	5.4	1,343.5	39.5	34.5	40.5	7.2	—	1,470.6
Net Carrying Value	$ 5.8	$ 22.6	$ 2,859.6	$ 0.9	$ 10.7	$ 120.8	$ 13.1	$ 7.1	$ 3,040.6

Construction in progress balance consists of costs capitalized for both airside and groundside facility improvement projects. For the year ended December 31, 2022, interest capitalized in construction in progress was $0.5 million (2021 – $0.3 million). During the year, borrowing costs for active projects were capitalized at the rate of 3.42%, which represents the weighted average rate of the Authority's debt outstanding (2021 – 3.25%).

5 INTANGIBLE ASSETS

AS AT DECEMBER 31, 2022		COMPUTER SOFTWARE		WORK IN PROGRESS		TOTAL
Cost:						
Beginning balance	$	38.3	$	0.5	$	38.8
Additions		—		0.2		0.2
Transfers		0.7		(0.7)		—
Ending Balance		39.0		—		39.0
Accumulated Amortization						
Beginning Balance		36.9		—		36.9
Depreciation & Amortization		1.1		—		1.1
Ending Balance		38.0		—		38.0
Net Carrying Value	$	1.0	$	—	$	1.0

AS AT DECEMBER 31, 2021		COMPUTER SOFTWARE		WORK IN PROGRESS		TOTAL
Cost:						
Beginning balance	$	74.6	$	—	$	74.6
Additions		0.5		0.5		1.0
Disposals and write-offs		(36.8)		—		(36.8)
Ending Balance		38.3		0.5		38.8
Accumulated Amortization						
Beginning Balance		71.9		—		71.9
Depreciation & Amortization		1.8		—		1.8
Disposals and write-offs		(36.8)		—		(36.8)
Ending Balance		36.9		—		36.9
Net Carrying Value	$	1.4	$	0.5	$	1.9

6 LONG-TERM DEBT

The Authority has an agreement with BNY Trust Company of Canada (the "Trustee") to provide a framework for the Authority to create and issue bonds and other debt securities and to enter into credit facility agreements, swaps and other debt instruments as set forth in the Master Trust Indenture ("MTI Agreement"). Under the MTI Agreement, bonds are issued in series and will be issued through a supplemental indenture authorizing that particular series of bonds.

On October 7, 2021, the Authority completed its inaugural bond issuance through the first supplemental indenture issued under the MTI Agreement and issued six bond series raising in aggregate $2.075 billion ("First Supplemental Indenture"). For the first five bond series issued (Series A to E), interest accrues on a daily basis and is payable on a semi-annual basis on April 7 and October 7 of each year of the term of that particular bond series. For the sixth bond series issued (Series F), principal and interest payments are payable on a semi-annual basis on April 7 and October 7 of each year of the term for the bond. The funds raised from the First Supplemental Indenture was used to repay a portion of the Authority's debentures held by the Government of Alberta ("GoA"), prepayment penalties incurred, transaction costs and some operational costs.

The repayment of debentures in 2021, was accounted for as an extinguishment under ASPE. The difference between the repayment amount and the carrying value of the debentures repaid of $147.0 million has been recognized as an expense in the year ended December 31, 2021.

On October 7, 2021, through a second supplemental indenture issued under the MTI Agreement, the Authority issued eleven bond series in aggregate $1.215 billion ("Second Supplemental Indenture") in a non-cash exchange for the remaining debentures held by the GoA and the deferred interest payments that were accrued from June 2020 until October 7, 2021 of $166,007. For the first bond series issued (4002957), principal and interest payments are payable on a semi-annual basis on April 7 and October 7 of each year of the term for the bond. For the next ten bond series issued (Series 4002958 to 4002967), interest accrues on a daily basis and is payable on a semi-annual basis on April 7 and October 7 of each year for the term of that particular bond series.

The bonds issued and outstanding under the MTI Agreement are ($millions):

SUPPLEMENTAL INDENTURE	SERIES	INTEREST RATE	MATURITY DATE	DECEMBER 31, 2022	DECEMBER 31, 2021
First	Series A	3.1990%	October 7, 2036	**350.0**	350.0
First	Series B	3.3410%	October 7, 2038	**300.0**	300.0
First	Series C	3.4540%	October 7, 2041	**350.0**	350.0
First	Series D	3.5540%	October 7, 2051	**350.0**	350.0
First	Series E	3.5540%	October 7, 2053	**300.0**	300.0
First	Series F	3.7540%	October 7, 2061	**420.3**	425.0
Second	4002957	2.2580%	October 7, 2031	**163.4**	166.0
Second	4002958	3.0120%	April 6, 2035	**25.0**	25.0
Second	4002959	3.6430%	February 15, 2042	**100.0**	100.0
Second	4002960	3.1530%	December 15, 2047	**25.0**	25.0
Second	4002961	2.5622%	September 16, 2049	**70.0**	70.0
Second	4002962	3.8550%	March 17, 2034	**83.0**	83.0
Second	4002963	2.7900%	March 15, 2030	**125.0**	125.0
Second	4002964	4.0590%	November 30, 2033	**107.9**	107.9
Second	4002965	4.2580%	September 15, 2033	**113.0**	113.0
Second	4002966	3.4200%	June 29, 2032	**200.0**	200.0
Second	4002967	3.5130%	June 16, 2029	**200.0**	200.0
Total bonds issued				**3,282.6**	3,289.9
Less: Debt issuance costs				**(12.8)**	(13.9)
Less: Current portion				**(7.5)**	(7.2)
Long term debt				**3,262.3**	3,268.8

The MTI Agreement contains certain financial covenants to be calculated on a yearly basis. The Authority received covenant waivers from the Trustee up to January 1, 2023, hence the first fiscal year to report on these covenants will be for the year ending December 31, 2023. Accordingly, as at the date of the financial statements' authorization, the Authority is not in breach of its covenants.

Principal repayments of long-term debt during the next five years and thereafter are as follows:

2023	$	7.5
2024	$	7.8
2025	$	8.0
2026	$	8.3
2027	$	8.6
Thereafter	$	3,242.4
	$	3,282.6

7 CREDIT FACILITIES

On October 7, 2021, the Authority cancelled all its existing credit facilities and obtained new credit facilities. The previous operating facility had an amount drawn of $50,000, which was paid in 2021. All existing letters of credit issued under the old credit facility had been cancelled and re-issued under the new operating facility.

As at December 31, 2022 and 2021, the Authority has an available $350.0 million revolving operating line of credit (the "Operating Facility") from a consortium of Canadian financial Institutions (the "Lender"). Draws on the Operating Facility are by way of overdraft, Canadian prime rate loans, U.S. base-rate loans, letters of credit, bankers' acceptance, and Libor loans. The Operating Facility bears interest at the Lender's prime rate plus an applicable pricing margin based on the debt rating received by the Authority and the type of draw on the facility. The maturity date of the Operating Facility is October 7, 2026. As at December 31, 2022 and 2021, the amount drawn on the Operating Facility was $nil.

The letters of credit that were outstanding under the Operating Facility as at December 31, 2022 total $49.3 million (2021 - $49.8 million) which were issued for specific operational expenses including a letter of credit of $28.6 million (2021 - $29.9 million) which was required under the MTI Agreement to cover at least 25% of operating and maintenance expenses incurred in the previous fiscal year or a twelve month period from the issuance of bonds.

As at December 31, 2022 and 2021, the Authority has an available $70.0 million revolving Letter of Credit Facility ("L/C Facility") that can be used for specific operational expenses, capital projects and major capital undertakings. As at December 31, 2022 and 2021, the letter of credit that was outstanding under the L/C Facility is $60.0 million. This letter of credit was required under the MTI Agreement. to cover at least 50% of the net interest accrued and the total principal amount to be paid for a twelve-month period after fiscal year-end. The maturity date of the L/C Facility is October 7, 2023.

As at December 31, 2022 and 2021, the Authority has outstanding two pledged bonds to the Operating and L/C Facilities lenders for $385.0 million and $77.0 million, respectively. The pledged bonds do not accrue interest and can be used by the lenders if the Authority defaults on any outstanding balance of each of the facilities including accrued interest and any applicable fees.

The covenants included in the Operating and L/C Facilities reference the covenants in the MTI Agreement where the Authority has received covenant waivers up to January 1, 2023. Accordingly, as at the date of the financial statement's authorization, the Authority is not in breach of its covenants.

8 OTHER LIABILTIES

AS AT		DECEMBER 31, 2022		DECEMBER 31, 2021
Current				
Security deposits	**$**	**0.1**	$	1.4
Long-term incentive plan		**0.6**		0.2
Retiring allowance		**—**		0.1
Lease inducement liability		**0.5**		0.5
City of Calgary payables (note 18)		**9.4**		5.9
Capital lease (note 12)		**0.6**		0.5
Current portion of other long-term liabilities	**$**	**11.2**	$	8.6
Non-Current				
Security deposits	**$**	**3.9**	$	2.7
Long-term incentive plan		**0.4**		0.1
Government capital grants accrued (note 11)		**7.0**		—
Canada lease rent payable (note 13)		**14.9**		16.1
City of Calgary payables (note 18)		**8.9**		18.3
Lease inducement liability		**1.4**		0.9
Capital lease (note 12)		**2.9**		3.5
Other long-term liabilities	**$**	**39.4**	$	41.6

9 AIRPORT IMPROVEMENT FEES

Revenue from the Airport Improvement Fees ("AIF") is collected from passengers by air carriers pursuant to a Agreement ("MoA") between various airports in Canada, participating air carriers serving these airports, and Association of Canada. Pursuant to the MoA, AIF is collected by the signatory air carriers from passengers on behalf of the Authority and remitted to the Authority net of a handling fee of 5% (2021 – 6%). AIF revenue net of the handling fee is used to fund the costs of new airport infrastructure and costs of major improvements to existing facilities at Calgary International and Springbank Airports, as well as related financing costs. The Authority records the AIF revenue and the handling fee on a gross basis on the Statement of Operations and Net Deficit. The AIF in 2022 was $35.00 (2021 – $35.00) for each originating passenger departing YYC Calgary International Airport.

10 NON-AERONAUTICAL REVENUES

Due to the impact of the COVID-19 pandemic on the air transportation sector, the Authority provided support to tenants by providing either rent waivers or deferrals. The Authority applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to similar lease arrangements, for the year ended December 31, 2021.

For the year ended December 31, 2022, the amount recognized on the Statement of Operations and Net Deficit to reflect changes in lease payments arising from rent concession waivers to which the Authority has applied the practical expedient for COVID-19-related rent concessions is $nil (2021 – $6.9 million). The aggregate amount of lease receivables related to the deferral of lease payments as at December 31, 2022 was $nil (2021 - $0.6 million).

11 GOVERNMENT ASSISTANCE

The Authority has applied and received payments from various government grants related to COVID-19 support and recovery. For the year ended December 31, 2022, $0.5 million (2021 – $5.4 million), was recognized on the Statement of Operations and Net Deficit , as a reduction of “Salaries and benefits” expense.

AIRPORT CRITICAL INFRASTRUCTURE PROGRAM

In May 2021, the Government of Canada announced the Airport Critical Infrastructure Program (“ACIP”), a new contribution funding program to help Canada’s larger airports make critical investments in safety and security.

As at December 31, 2022, the Authority has recognized $7.0 million (2021 – $nil) in eligible funding on the Balance Sheet as Other long-term liabilities, to be amortized over the useful life of the related asset, when completed and in service.

12 CAPITAL LEASES

The Authority’s right of use assets mainly relates to the lease of machinery and equipment.

AS AT		DECEMBER 31, 2022		DECEMBER 31, 2021
Cost				
Opening balance	**$**	**4.5**	$	1.0
Additions		**—**		3.5
Balance, end of year	**$**	**4.5**	$	4.5
Accumlated amortization				
Opening balance	**$**	**0.4**	$	0.1
Amortization		**0.5**		0.3
Balance, end of year		**0.9**		0.4
Net book value, end of year [(a)]	**$**	**3.6**	$	4.1

(a) Included under the line item “Capital Assets” on the Balance Sheet

AS AT	DECEMBER 31, 2022	DECEMBER 31, 2021
Weighted average remaining lease term (years)	**5.29**	6.26
Weighted average discount rate (%)	**2.96**	2.93

The Authority has recognized lease liabilities in relation to the lease of equipment. The reconciliation of movements in lease liabilities is as follows:

AS AT	DECEMBER 31, 2022		DECEMBER 31, 2021	
Opening balance	$	4.0	$	0.9
Additions		—		3.5
Interest expense		0.1		—
Lease payments		(0.6)		(0.4)
Balance, end of year	$	3.5	$	4.0
Less: Current portion [(a)]		0.6		0.5
Long term capital leases, end of year [(b)]	$	2.9	$	3.5

(a) Included under the line item "Current portion of other long-term liabilities" on the Balance Sheet

(b) Included under the line item "Other long-term liabilities" on the Balance Sheet

As of December 31, 2022, the maturity analysis of the undiscounted contractual balances of the lease liabilities during the next five years and thereafter is as follows:

AS AT		
2023	$	0.6
2024	$	0.6
2025	$	0.6
2026	$	0.6
2027	$	0.5
Thereafter	$	1.0
Total lease payments	$	3.9
Less: imputed interest	$	0.4
Total	$	3.5

13 CANADA LEASE

The Authority incurs an annual lease rental liability based on a sliding scale percentage, to a maximum of 12%, of gross revenue to Transport Canada pursuant to the Canada Lease. The monthly installments on the Canada Lease are estimated based on the previous year's calculation. The effective annualized rate for 2022 was 10.06% (2021 – 8.55%).

Under an amendment of the Canada Lease for the annual lease rental liability for 2021, the Authority has deferred payment for $18.8 million and will start monthly payments on January 1, 2024 and pay over 10 years. There is no interest incurred on the outstanding balance.

For the annual lease rental liability, for the year ended December 31, 2022, the Authority recognized an expense of $41.8 million. The Authority is required to make monthly payments throughout the year and the remaining liability is to be paid by the end of February of the next year pursuant to the Canada Lease. The remaining liability relating to the current year expense of $23.0 million, is to be paid in the first quarter of 2023.

The projected lease payments under the Canada Lease for the next five years are estimated as follows:

AS AT		
2023	$	**46.5**
2024	$	**52.7**
2025	$	**56.2**
2026	$	**59.5**
2027	$	**61.8**

14 EMPLOYEE FUTURE BENEFITS

The Authority sponsors a registered pension plan for substantially all employees which has both defined contribution (“DC Plan”) and defined benefit (“DB Plan”) components. The Authority also has non-registered pension arrangements (“MG Plan”) for certain employees.

DC PLAN

The majority of employees participate in the DC Plan. As of August 1, 2013, new union employees and as of January 1, 2010 new non-union employees of the Authority automatically participate in the DC Plan. In addition, some members participating in the DB Plan also participate in the DC Plan. For executives, contributions that are in excess of the maximum limits under the Income Tax Act accrue notionally and are paid from the Authority’s general revenues when the executive terminates employment. The pension cost recorded for the DC Plan was $1.5 million for the year ended December 31, 2022 (2021 - $1.2 million).

DB PLAN

The DB Plan provides benefits for union employees hired before August 1, 2013 and non-union employees hired before January 1, 2010. Pensions are based on a calculation using the employees’ length of service and earnings near retirement and is indexed annually to 100% of the Canadian Consumer Price Index.

MG PLAN

The Authority has non-registered pension arrangements that provide benefits to certain active and former employees pursuant to the Letter of Undertaking signed June 26, 1992, which guaranteed that benefits earned after July 1, 1992 will not be less than the pension and indexing provisions under the Public Service Superannuation Act and the Supplementary Retirement Benefits Act (Minimum Guarantee) in respect of eligible individuals at that date. The MG Plan also provides benefits to certain former executives who participated in the DB Plan and whose benefits were limited to maximums permitted under the Income Tax Act. MG Plan benefits are paid from the Authority’s general revenues as payments come due. For former executives, security for the MG Plan is provided through a letter of credit within a retirement compensation arrangement trust account.

ACTUARIAL VALUATION

The Authority measures its defined benefit obligations using a funding valuation for the DB Plan and an accounting valuation for the MG Plan. The Authority's most recent actuarial valuations of the plans was completed as of January 1, 2022 and the next scheduled actuarial valuations will be performed as of January 1, 2023. The costs of the DB Plan and MG Plan are actuarially determined using the projected benefit method based on management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality rates, inflation and other factors affecting the payment of future benefits.

GOVERNANCE

The benefit payments for the DB Plan and DC Plan are made from trustee-administered funds. The Board of Directors of the Authority are responsible for the governance of the plans and policy decisions related to liability management, funding and investment, including selection of investment managers and investment options for the plans. The objective of the Authority's investment policy for the DB Plan is to maximize long- term total return while protecting the capital value of the funds invested from major market fluctuations through diversification and selection of investments.

The following table provides information concerning the components of the pension cost for the DB and the MG Plans:

YEAR ENDED	DECEMBER 31, 2022	DECEMBER 31, 2021
Current service cost	$ 0.5	$ 0.9
Post-employment pension benefits remeasurement (loss/gain)		
Finance gain	(0.3)	(0.5)
Remeasurement cost		
Difference between actual and expected return on assets	22.1	(4.1)
Actuarial loss (gain)	0.5	(5.0)
Defined benefit cost	22.8	(8.7)
Notional account benefit cost	0.1	—
Employer defined benefit contributions	1.4	1.7
Total net benefit cost (recovery)	$ 24.3	$ (7.0)

Based on the actuarial valuation dated January 1, 2022 and extrapolated to December 31, 2022, the changes in the Authority's pension assets and obligations are as follows:

AS AT			DECEMBER 31, 2022			DECEMBER 31, 2021
	DB Plan	**MG Plan**	**Total**	DB Plan	MG Plan	Total
Market value of plan assets						
Opening balance	**$ 122.2**	**$ —**	**$ 122.2**	$ 117.7	$ —	$ 117.7
Interest income	**3.3**	**—**	**3.3**	3.7	—	3.7
Employer contributions	**0.6**	**0.8**	**1.4**	0.9	0.8	1.7
Employee contributions	**1.3**	**—**	**1.3**	1.0	—	1.0
Benefit payments	**(5.0)**	**(0.8)**	**(5.8)**	(5.2)	(0.8)	(6.0)
Actual return on plan assets	**(22.1)**	**—**	**(22.1)**	4.1	—	4.1
Balance, end of year	**$ 100.3**	**$ —**	**$ 100.3**	$ 122.2	$ —	$ 122.2
Accrued pension benefit obligation						
Opening balance	**$ 85.5**	**$ 16.6**	**$ 102.1**	$ 89.8	$ 18.2	$ 108.0
Current service cost	**0.6**	**0.1**	**0.7**	0.9	0.1	1.0
Interest cost	**2.5**	**0.5**	**3.0**	2.8	0.4	3.2
Employee contributions	**1.3**	**—**	**1.3**	0.9	—	0.9
Benefit payments	**(5.0)**	**(0.8)**	**(5.8)**	(5.2)	(0.8)	(6.0)
Actuarial loss (gain)	**3.7**	**(3.2)**	**0.5**	(3.7)	(1.3)	(5.0)
Balance, end of year	**$ 88.6**	**$ 13.2**	**$ 101.8**	$ 85.5	$ 16.6	$ 102.1
Funded status	**$ 11.7**	**$ (13.2)**	**$ (1.5)**	$ 36.7	$ (16.6)	$ 20.1

	2022	**2021**
Pension Assets	**11.7**	36.7
Pension Liabilities	**(13.2)**	(16.6)
Funded Status	**$ (1.5)**	$ 20.1

Remeasurement costs for 2022 amounted to an expense of $22.6 million (2021 – recovery of $9.1 million). In 2022, $0.7 million of the total net benefit cost (2021 – $1.0 million) has been recognized on the Statement of Operations and Net Deficit under "Salaries and benefits" expense.

The asset allocation of the DB Plan assets as at December 31 was:

	2022	**2021**
Fixed income securities	**52%**	48%
Canadian equities	**9%**	16%
Foreign equities	**39%**	36%

The significant actuarial assumptions adopted in measuring the Authority's pension benefit obligations are:

	DECEMBER 31, 2022		DECEMBER 31, 2021	
	Registered Plan	**Non-Registered Plan**	Registered Plan	Non-Registered Plan
Discount rate				
a) Year-end pension benefit obligation	**4.58%**	**5.10%**	4.40%	2.90%
b) Net benefit cost	**3.38%**	**2.90%**	3.80%	2.50%
Rate of salary increases	**2.75%**	**2.75%**	2.75%	2.75%
Pre/post retirement indexing	**2.00%**	**2.00%**	2.00%	2.00%

The estimated annual payment in 2022 to fund the solvency deficiency as determined by the January 1, 2022 actuarial valuation was $0.9 million (2021 - $2.1 million). This was funded through a letter of credit.

15 FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities, Interest payable on long-term debt, Long-term debt, Canada lease rent payable and the City of Calgary payable, within "Other Long-term Liabilities".

The fair value of the Authority's financial instruments, other than its long-term debt and long-term payables, approximates its carrying value due to their short-term nature. The fair value of long-term debt and long-term payables are considered a Level 2 on the fair value hierarchy as the fair value is estimated using the discounted cash flow analysis based on the Authority's current borrowing rate for similar borrowing arrangements. As at December 31, 2022, the fair value of the Authority's long-term debt and Canada Lease rent payable is $2,799.5 million (2021 - $3,545.0 million).

RISK MANAGEMENT

The Authority's Board of Directors ("the Board") is responsible for the oversight of the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long term viability of the Authority. The Board has established the Audit and Finance Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Authority's ability to achieve its strategic and operational targets. The Board is also responsible for ensuring that management has effective policies and procedures to identify, assess and manage and mitigate such risks.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Authority is exposed to various financial risks in the normal course of operations such as market risks resulting from credit risk and liquidity risk and fluctuations in currency exchange rates and interest rates.

CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument fails to fulfill its obligation in accordance with the terms of the contract. The Authority is subject to credit risk through its accounts receivable and long-term receivables, which consist primarily of aeronautical fees and AIFs owing from air carriers and concession fees owing from concession operators. The majority of concession fees owing are settled on a monthly basis, 15 days after the end of each month.

The majority of aeronautical fees owing are billed every 7 days and settled 15 days thereafter. The majority of AIFs owing are settled on a monthly basis on the first day of each subsequent month. The Authority's requirement for letters of credit, security deposits and maintaining an allowance for potential credit losses helps to reduce credit risk relating to accounts receivable. The Authority's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

ACCOUNTS RECEIVABLE PAST DUE OR IMPAIRED

The Authority had the following past due or impaired accounts receivable:

AS AT DECEMBER 31, 2022		TOTAL		AR ACCRUALS		LESS THAN 30 DAYS		31 TO 60 DAYS		61 TO 90 DAYS		OVER 90 DAYS
Trade receivable	**$**	**36.6**	**$**	**22.2**	**$**	**9.9**	**$**	**1.6**	**$**	**1.0**	**$**	**1.9**
Allowance for credit losses		**(1.2)**		**—**		**—**		**—**		**—**		**—**
	$	**35.4**	**$**	**22.2**	**$**	**9.9**	**$**	**1.6**	**$**	**1.0**	**$**	**1.9**

AS AT DECEMBER 31, 2021		TOTAL		AR ACCRUALS		LESS THAN 30 DAYS		31 TO 60 DAYS		61 TO 90 DAYS		OVER 90 DAYS
Trade receivable	$	19.7	$	7.1	$	9.6	$	0.6	$	0.7	$	1.7
Allowance for credit losses		(1.7)		—		—		—		—		—
	$	18.0	$	7.1	$	9.6	$	0.6	$	0.7	$	1.7

ALLOWANCE FOR DOUBTFUL ACCOUNTS		DECEMBER 31, 2022		DECEMBER 31, 2021
Balance, beginning of year	**$**	**1.7**	$	3.9
Recovery of allowance		**(0.5)**		(2.2)
Balance, end of year	**$**	**1.2**	$	1.7

LIQUIDITY RISK

Liquidity risk is the risk that the Authority will encounter difficulties in meeting the obligations associated with its financial liabilities. The Authority's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as committed lines of credit through a credit facility.

For the year ended December 31, 2022, the Authority recognized a net loss of $79.4 million. The Authority's working capital as of December 31, 2022 is $116.1 million and it has $456.8 million of cash and cash equivalents and available credit facilities.

The Authority had the following contractual maturities with respect to financial liabilities based on the contractual undiscounted cash flows which includes principal and interest cash flows:

AS AT DEC. 31, 2022	CARRYING VALUE	TOTAL	2023	2024	2025	2026	2027	2028 & THEREAFTER
Accounts payable and accrued liabilities	**$ 57.9**	**$ 57.9**	**$ 57.9**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current portion of long-term debt	**7.5**	**7.5**	**7.5**	**—**	**—**	**—**	**—**	**—**
Long-term debt	**3,275.1**	**5,334.0**	**112.5**	**120.1**	**120.1**	**120.1**	**120.1**	**4,741.1**
Interest payable on long-term debt	**26.5**	**26.5**	**26.5**	**—**	**—**	**—**	**—**	**—**
City of Calgary payable (a)	**18.3**	**19.3**	**9.4**	**4.4**	**5.5**	**—**	**—**	**—**
Canada Lease rent payable (a)	**14.9**	**18.8**	**—**	**1.9**	**1.9**	**1.9**	**1.9**	**11.2**
	$ 3,400.2	**$ 5,464.0**	**$ 213.8**	**$ 126.4**	**$ 127.5**	**$ 122.0**	**$ 122.0**	**$ 4,752.3**

(a) Included under the line item "Other long-term liabilities" on the Balance Sheet

AS AT DEC. 31, 2021	CARRYING VALUE	TOTAL	2022	2023	2024	2025	2026	2027 & THEREAFTER
Accounts payable and accrued liabilities	$ 18.4	$ 18.4	$ 18.4	$ —	$ —	$ —	$ —	$ —
Current portion of long-term debt	7.2	7.2	7.2	—	—	—	—	—
Long-term debt	3,282.7	5,416.8	86.2	120.1	120.1	120.1	120.1	4,850.2
Interest payable on long-term debt	26.6	26.6	26.6	—	—	—	—	—
City of Calgary payable (a)	24.2	25.2	5.9	9.4	4.4	5.5	—	—
Canada Lease rent payable (a)	16.1	18.8	—	—	1.9	1.9	1.9	13.1
	$ 3,375.2	$ 5,513.0	$ 144.3	$ 129.5	$ 126.4	$ 127.5	$ 122.0	$ 4,863.3

(a) Included under the line item "Other long-term liabilities" on the Balance Sheet

INTEREST RATE RISK

Interest rate risk arises due to fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash held in interest-bearing accounts. The cash in these accounts is considered highly liquid. The Authority manages interest rate risk by holding fixed interest rate debt with various maturities. The Authority proactively monitors and manages its debt maturity profiles and debt covenants and maintains financial flexibility through access to potential different types of credit products under the MTI Agreement. The Authority has exposure to interest rate risk related to its operating line of credit which is maintained to provide liquidity while achieving a satisfactory return.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that fluctuations in foreign exchange rate impact the financial obligations of the Authority. The Authority's functional currency is the Canadian dollar, major purchases and revenue receipts are transacted in Canadian dollars, and long-term debts are in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

INDUSTRY RISK

Industry risk is related to any events that could occur within or to the air transportation industry that could negatively affect passenger demand at YYC Calgary International Airport and therefore the Authority's revenues. These risks, among others, include: population growth; unemployment rates; economic conditions; regulatory actions and legislative changes; air carrier stability; the ability and willingness of airlines to provide air service; the increase in the cost of air fares; labour disputes; the availability and cost of aviation fuel; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and alternate ground transportation options; health epidemics and related travel advisories, war; and terrorist attacks, the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

16 RELATED PARTY TRANSACTIONS

As a corporation without share capital, the Authority has Members rather than shareholders. The Members of the Authority are its Board of Directors. The Authority is governed by a 17-member Board of Directors. Directors are appointed by four organizations – the Long Range Planning Committee of the Calgary Chamber of Commerce (eleven members), the City of Calgary (three members), Rocky View County (one member), and the Government of Canada represented by the Minister of Transport (two members). The Authority's Board of Directors collectively is responsible for the oversight of the Authority ensuring that Key Management has efficient policies and procedures in place.

The Authority's related parties also includes Key Management personnel. Key Management includes the Officers of the Authority who have the authority and responsibility for planning, directing, and controlling the activities of the Authority. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of the Officers of the Authority.

The Government of Canada and its respective government related entities are considered related parties for accounting purposes only due to their ability to nominate Members and due to the material nature of the Canada Lease (see Note 13). In accordance with ASPE, this meets the definition of significant influence, but not control.

Some of the Board of Directors do hold positions in other companies where they can exercise either control or significant influence on those companies that conduct business with the Authority. The nature of the transactions are mainly leasing land or buildings owned by the Authority.

The following transactions with the Authority's related parties are measured at cost and have been recorded onthe Statement of Operations and Net Deficit:

YEAR ENDED		DECEMBER 31, 2022		DECEMBER 31, 2021
Non-aeronautical revenues				
Land rental	**$**	**1.7**	$	1.7

REMUNERATION AND EXPENSES

In compliance with the Authority's governance practices and as required by the Regional Airports Authorities Act (Alberta), the Authority outlines the Directors' and Officers' remuneration and expenses as follows:

(ALL FIGURES IN THIS TABLE ARE EXPRESSED IN WHOLE DOLLARS)			
Board Chair	$	80,000	per annum
Committee Chair	$	6,500	per annum
Director (excluding Board Chair)	$	12,000	per annum
Board and Board Committee meeting fees (in person)	$	1,250	per meeting
Board and Board Committee meeting fees (virtually)	$	1,000	per meeting

Total remuneration and expenses paid during the year ended December 31, 2022 for each Director:

(ALL FIGURES IN THIS TABLE ARE EXPRESSED IN WHOLE DOLLARS)	COMPENSATION	EXPENSES	TOTAL
Matthew Heffernan (Board Chair)	$ 146,750	$ 736	$ 147,486
Donald Cormack (Audit & Finance Committee Chair)	33,625	—	33,625
Jina Abells Morissette (Governance & Compensation Committee Chair)*	67,806	984	68,790
Andrea Robertson (Planning & Development Committee Chair)	35,500	—	35,500
Grant B. MacEachern (Governance & Compensation Committee Chair)**	28,468	—	28,468
David C. Blom	72,250	571	72,821
Randolph Charron	26,250	—	26,250
Andrea Goertz	29,875	—	29,875
Heather Kennedy	29,375	—	29,375
James Midwinter	65,875	—	65,875
Manjit K. Minhas	26,500	—	26,500
Lisa Oldridge	65,000	—	65,000
Craig Richmond	56,875	620	57,495
Phillip J. Scheibel	27,625	—	27,625
Sheldon Schroeder	29,750	—	29,750
Murray Sigler***	17,883	—	17,883
Tracey Zehl****	5,629	—	5,629

**** Governance & Compensation Committee Chair term commenced October 2022***

***** Term completed in October 2022***

****** Term completed in August 2022***

******* New appointment in October 2022***

For the year ended December 31, 2022, total remuneration for the Board of $0.8 million (2021 - $0.4 million) was recognized on the Statement of Operations and Net Deficit under "Salaries and benefits" expense. Expenses incurred by the Directors in 2022, was recognized on the Statement of Operations and Net Deficit, under "Goods and services" expense. Fees were paid to certain Directors for attendance at meetings of special ad hoc committees of the Board of Directors.

KEY MANAGEMENT COMPENSATION

The base salary range for the Officers during 2022 was $0.3 million to $0.5 million (2021 – $0.3 million to $0.5 million). Total remuneration paid to the Officers during 2022 was $2.4 million (2021 – $1.9 million) which was recognized on the Statement of Operations and Net Deficit under "Salaries and benefits" expense. Expenses incurred by the Officers during 2022 totaled $0.1 million (2021 – $0.2 million) which was recognized on the Statement of Operations and Net Deficit under "Goods and services" expense.

17 INTEREST AND FINANCING COST

YEAR ENDED		DECEMBER 31, 2022		DECEMBER 31, 2021
Interest on long-term debt	**$**	**112.2**	$	105.0
Penalty incurred on prepayment of long-term debt		**—**		146.0
Amortization of deferred financing costs		**1.1**		0.2
Fair value adjustment on long-term payable		**(1.2)**		(2.7)
Standby fees		**0.8**		—
Operating facility interest		**—**		0.8
Other interest expense		**0.5**		0.7
Interest and financing costs	**$**	**113.4**	$	250.0

18 COMMITMENTS AND CONTINGENCIES

The Authority is subject to legal proceedings and claims that arise in the ordinary course of business. While the final outcome with respect to these legal proceedings and claims cannot be predicted with certainty, management does not expect the outcome of any proceeding to have a material adverse effect on the financial position or results of operations of the Authority.

In June 2011, the Authority entered into a Tunnel Sublease and License (the "Tunnel Agreement") with the City of Calgary (the "City"). The Tunnel Agreement, which expires June 29, 2072, required the City to extend Airport Trail east, across airport lands and, among other things, to construct, operate and maintain an associated tunnel under Runway 17L-35R which was completed on October 1, 2012. The Tunnel Agreement also provides for a cost-sharing arrangement regarding future interchanges along Airport Trail at 19th Street and Barlow Trail. The first phase is for interchanges, which will enhance access to and egress from airport facilities was completed in the fall of 2022. The second phase of the interchanges, or components thereof, will be constructed when traffic volume service levels at the first phase of interchanges reach a proscribed level and, at that time, the Authority has agreed to contribute 50% towards the acquisition cost of the necessary third-party land and the associated construction project. As the first phase of these interchanges is now completed and the second phase third party land has been acquired, the Authority as of December 31, 2022, has a liability of $14.8 million (2021 - $20.7 million) towards these obligations. The Authority continues to have a commitment to contribute towards the second phase construction and additional land costs.

As of December 31, 2022, the Authority has approximately $13.6 million in commitments for capital projects commenced during the year. The capital projects includes various restoration projects and the design work relating to the rehabilitation of the existing west runway.

19 INCOME TAXES

Pursuant to the Airport Transfer (Miscellaneous Matters) Act, income that may reasonably be regarded as being derived from airport business is exempt from federal and provincial income taxes. All income recognized during the year ended in 2022 and 2021 are considered to be derived from airport business and therefore, exempt from income tax.

20 GOVERNMENT REMITTANCES PAYABLE

Included in Accounts Payables and Accrued Liabilities on the Balance Sheet are government remittances payables of $0.6 million (2021 - $0.6 million). This balance comprises of amounts payable for GST.

21 COMPARATIVE INFORMATION

Comparative figures for certain expenses have been reclassified to conform to the current year's presentation.

22 SUBSEQUENT EVENTS

Subsequent events have been reviewed through March 8, 2023, the date on which these annual financial statements were approved by the Board of Directors. There were no subsequent events requiring disclosure or adjustment to the interim financial statements.

YYC CALGARY AIRPORT AUTHORITY