

# **THE CALGARY AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the three and nine months ended September 30, 2023**



## MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

Dated November 22, 2023

### **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.

This Management's Discussion and Analysis ("MD&A") report discusses the financial and operating results of The Calgary Airport Authority (the "Authority") for the three and nine months ended September 30, 2023, and should be read in conjunction with the Authority's unaudited interim Financial Statements and note disclosures for the three and nine months ended September 30, 2023. Additional information, including the Authority's most recent annual MD&A ("2022 MD&A") and audited Financial Statements for the year ended December 31, 2022, is available at [www.yyc.com](http://www.yyc.com). Information contained in the 2022 MD&A is not discussed in this MD&A if it remains substantially unchanged. 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.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## 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 financial and operating results for the third quarter and first nine months of 2023 showed strong growth compared to the prior period due to increased flight activity with the introduction of new routes, increased seat capacity to existing routes and higher travel demand.

During the third quarter of 2023:

- Enplaned & Deplaned ("E&D") Passengers increased by 23.8% to 5.6 million, compared to the third quarter of 2022, making YYC the fourth busiest airport in Canada.
- Locally enplaned passengers increased by 27.5% to 1.9 million, compared to the third quarter of 2022, driving AIF revenue to \$65.7 million, a 28.1% increase from the same period of 2022.
- YYC saw a 4.5% increase in aircraft landings compared to the third quarter of 2022, primarily driven by a 4.3% increase in passenger aircraft landings. YYC also experienced a 15.0% increase in landed passenger seats compared to the third quarter of 2022.
- The above-mentioned increase in passenger and flight activity resulted in total revenue increasing by 17.8% to \$152.6 million in the third quarter of 2023, compared to the same period of 2022.
- The Authority generated \$83.8 million of EBITDA (margin 54.9%) in the third quarter of 2023, an increase of \$13.4 million, or 19.0%, from the \$70.4 million of EBITDA (margin 54.4%) in the third quarter of 2022.

During the first nine months of 2023:

- E&D Passengers increased by 33.2% to 14.1 million compared to 2022, making YYC the fourth busiest airport in Canada, and the second most recovered compared to pre-pandemic traffic.
- Locally enplaned passengers increased by 36.4% to 4.5 million compared to 2022, driving a 37.5% increase in AIF revenue to \$159.1 million in the period.
- YYC saw a 10.8% increase in aircraft landings compared to 2022, primarily driven by a 13.6% increase in passenger aircraft landings. YYC also experienced a 23.1% increase in landed passenger seats compared to 2022.
- The above-mentioned increase in passenger and flight activity resulted in total revenue increasing by 23.6% to \$376.6 million in 2023.
- The Authority generated \$180.2 million of EBITDA (margin 47.8%) in 2023, an increase of \$38.6 million, or 27.3%, from the \$141.6 million EBITDA (margin 46.5%) in the same period of 2022.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## SELECT KEY FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL INFORMATION (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
			\$ Change			\$ Change
<b>Total Revenues</b>	<b>152.6</b>	129.5	23.1	<b>376.6</b>	304.7	71.9
Direct operating costs	<b>50.5</b>	43.0	(7.5)	<b>151.9</b>	125.9	(26.0)
Canada Lease	<b>15.7</b>	14.3	(1.4)	<b>38.2</b>	31.5	(6.7)
Airport improvement fee handling fees	<b>2.6</b>	1.8	(0.8)	<b>6.3</b>	5.7	(0.6)
<b>EBITDA</b>	<b>83.8</b>	70.4	13.4	<b>180.2</b>	141.6	38.6
<b>Net Income (Loss)</b>	<b>14.6</b>	7.3	7.3	<b>(10.8)</b>	(46.8)	36.0
<i>See "Financial Performance" section for details See "Net Operating Results" section for reconciliation from net loss.</i>						
<b>Free Cash Flow</b> (\$ millions) <i>See "Liquidity and Capital Resources" section for details</i>	<b>55.5</b>	41.4	14.1	<b>94.9</b>	55.4	39.5

*EBITDA and Free Cash Flow are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" section of this MD&A for additional information.*

OPERATIONAL INFORMATION	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
			% Change			% Change
Enplaned & Deplaned Passengers ( <i>thousands</i> )	<b>5,614.1</b>	4,534.7	23.8	<b>14,105.4</b>	10,588.9	33.2
Local Enplanements ( <i>thousands</i> )	<b>1,856.3</b>	1,455.9	27.5	<b>4,511.0</b>	3,307.6	36.4
Connecting Enplanements (%)	<b>33.8%</b>	35.7%	-1.9 pts	<b>35.5%</b>	37.2%	-1.7 pts
Aircraft landings ( <i>thousands</i> )	<b>27.9</b>	26.7	4.5	<b>74.6</b>	67.3	10.8
Total MTOW ( <i>million kg</i> )	<b>1,846.7</b>	1,618.9	14.1	<b>4,827.8</b>	4,050.3	19.2
Landed passenger seats ( <i>thousands</i> )	<b>3,155.1</b>	2,744.1	15.0	<b>8,163.6</b>	6,629.3	23.1
Load factor (%)	<b>88.8%</b>	82.5%	6.3 pts	<b>85.7%</b>	79.4%	6.3 pts
Non-Aeronautical Revenue per Enplanement	<b>\$ 20.87</b>	\$ 20.32	2.7	<b>\$ 20.16</b>	\$ 19.67	2.5
Aeronautical Revenues per Landed Passenger Seat	<b>\$ 9.00</b>	\$ 11.73	(23.3)	<b>\$ 9.37</b>	\$ 12.88	(27.3)
Direct Operating Cost per E&D Passenger	<b>\$ 9.00</b>	\$ 9.48	5.1	<b>\$ 10.77</b>	\$ 11.89	9.4
EBITDA Margin (%)	<b>54.9%</b>	54.4%	0.5 pts	<b>47.8%</b>	46.5%	1.3 pts
Free Cashflow per E&D Passenger	<b>\$ 9.89</b>	\$ 9.13	8.3	<b>\$ 6.73</b>	\$ 5.23	28.7
<i>See "Operating Activity" section for details</i>						

*The volatility in passenger activity caused by the COVID-19 pandemic in 2022, and the current industry recovery underway, will impact the comparability of key performance indicators in the table above.*

## MANAGEMENT'S DISCUSSION & ANALYSIS

### 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 Enplaned & Deplaned ("E&D") passenger activity 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).

Total E&D passenger activity at YYC in the third quarter of 2023 was 5.6 million, an increase of 1.1 million passengers, or 23.8%, from the 4.5 million passengers in same period of 2022. During the third quarter of 2023, the largest percentage improvements were in the International sector, followed by Transborder, and then the Domestic sector, recording increases in passenger traffic of 59.2%, 47.3%, and 14.9%, respectively, when compared to the same period of 2022. The significant increases experienced in the International and Transborder sectors were mainly due to the growth from WestJet's increased flight activity with the introduction of new International routes to Barcelona, Edinburgh, and Tokyo-Narita in May 2023, and new Transborder routes to Detroit, and Washington Dulles in May and June 2023, respectively. WestJet also increased seat capacity on existing International and Transborder routes, coupled with higher demand for these seats as reflected in higher load factors.

Passenger traffic at YYC in the first nine months of 2023 was 14.1 million, an increase of 3.5 million passengers, or 33.2%, from the 10.6 million passengers in same period of 2022. The significant increase was mainly due to passenger confidence driving the demand for travel after the easing of international travel restrictions by Canadian and foreign governments at the beginning of the second quarter of 2022 along with significant growth seen from WestJet with the introduction of new International and Transborder routes, resumption of services to previously discontinued Transborder routes such as Austin and Chicago, and an overall increased seat capacity to existing routes.

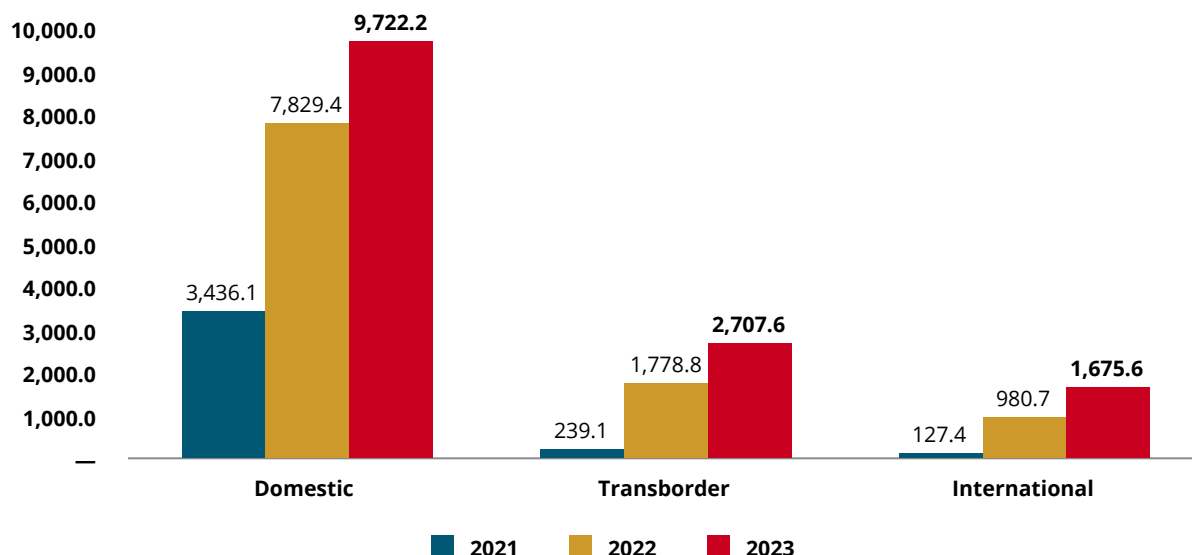
The following table summarizes passenger activity by sector for the three and nine months ended September 30, 2023 and 2022:

PASSENGER ACTIVITY (thousands)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22 % Change	2023	2022	2023/22 % Change
Domestic	3,931.8	3,422.1	14.9	9,722.2	7,829.4	24.2
Transborder	1,099.4	746.4	47.3	2,707.6	1,778.8	52.2
International	582.9	366.2	59.2	1,675.6	980.7	70.9
<b>Total Enplaned &amp; Deplaned</b>	<b>5,614.1</b>	<b>4,534.7</b>	<b>23.8</b>	<b>14,105.4</b>	<b>10,588.9</b>	<b>33.2</b>
Local Enplanements	1,856.3	1,455.9	27.5	4,511.0	3,307.6	36.4
Connecting Enplanements	946.8	808.4	17.1	2,483.4	1,958.0	26.8
<b>Total Enplaned</b>	<b>2,803.1</b>	<b>2,264.3</b>	<b>23.8</b>	<b>6,994.4</b>	<b>5,265.6</b>	<b>32.8</b>
Local Enplanements (%)	66.2%	64.3%	1.9 pts	64.5%	62.8%	1.7 pts
Connecting Enplanements (%)	33.8%	35.7%	-1.9 pts	35.5%	37.2%	-1.7 pts
<b>Total Enplaned (%)</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

## MANAGEMENT'S DISCUSSION & ANALYSIS

### TOTAL E&D PASSENGERS

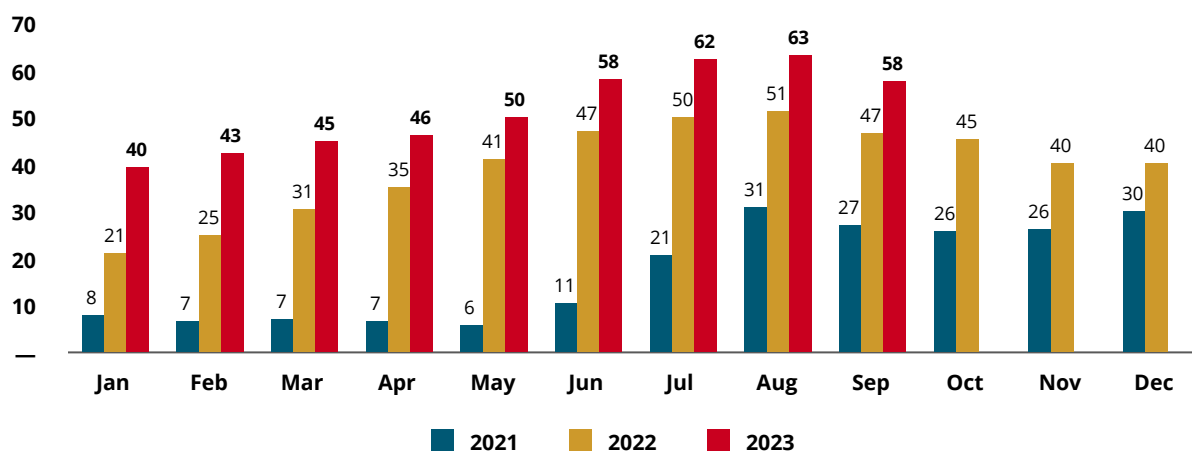
For the first nine months of 2021, 2022 and 2023 (in thousands)



The above table shows E&D passenger activity by flight category for the first nine months of 2021, 2022, and 2023. Total E&D passenger activity in 2021 shows the severity of the impact of the COVID-19 pandemic, and while demand started to return, the first quarter of 2022 was still hindered by travel restrictions and the Omicron variant. As travel restrictions were lifted, the recovery of travel demand accelerated throughout 2022 and 2023, with the second and third quarter of 2023 surpassing pre-pandemic levels, with August 2023 recording the highest E&D passenger traffic in YYC history.

### Average Daily Passenger Volumes by Month

For 2021, 2022 and 2023 (in thousands)



Daily passenger volumes at YYC for the first nine months of 2023 increased 33.2% to an average of 51,700 passengers per day, from an average of 38,800 per day for the same period of 2022. Passenger activity in Q1 2022 was impacted by international travel restrictions still in effect due to the spread of the Omicron variant that emerged late in 2021. 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 originating at YYC, while a connecting passenger changes aircraft at YYC en route to a final destination, characteristic of a hub airport.

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During the third quarter of 2023, local enplanements increased 27.5% to 1.9 million passengers and connecting enplanements increased by 17.1% to 0.9 million passengers when compared to the same period in 2022. The percentage split between local and connecting enplanements was 66.2% and 33.8%, respectively, compared to 64.3% and 35.7% in the same period of 2022. While YYC has seen an increase in connecting traffic due to its role as Westjet's global hub airport, this was offset by point-to-point routes by new airlines such as Porter, and increased passengers from airlines such as Lynx, Flair and United which primarily have trips originating from YYC, resulting in a shift towards more local passenger traffic.

During the first nine months of 2023, local enplanements increased 36.4% to 4.5 million passengers and connecting enplanements increased 26.8% to 2.5 million passengers, when compared to 2022. The percentage of local enplanements versus connecting enplanements was 64.5% and 35.5%, respectively, compared to 62.8% and 37.2% in the same period of 2022.

### Flight Activity

All aircraft have 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 and nine months ended September 30, 2023 and 2022.

FLIGHT ACTIVITY	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
<i>(thousands)</i>			% Change			% Change
Aircraft landings	<b>27.9</b>	26.7	4.5	<b>74.6</b>	67.3	10.8
Passenger aircraft landings	<b>21.6</b>	20.7	4.3	<b>57.5</b>	50.6	13.6
Landed passenger seats	<b>3,155.1</b>	2,744.1	15.0	<b>8,163.6</b>	6,629.3	23.1
<i>(millions)</i>						
Total MTOW (kg)	<b>1,846.7</b>	1,618.9	14.1	<b>4,827.8</b>	4,050.3	19.2
Passenger MTOW (kg)	<b>1,602.6</b>	1,391.1	15.2	<b>4,151.3</b>	3,355.6	23.7
Seats per passenger aircraft movement	<b>146.1</b>	132.6	10.2	<b>142.0</b>	131.1	8.3
Load factor (%)	<b>88.8%</b>	82.5%	6.3 pts	<b>85.7%</b>	79.4%	6.3 pts

Passenger aircraft landings increased 4.3% and 13.6% in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022, due to the significant growth seen from Westjet with the introduction of new International destinations such as Barcelona, Edinburgh and Tokyo-Narita in May 2023, new Transborder destinations such as Detroit in May 2023, Washington in June 2023 and a new Domestic destination Moncton in June 2023. Westjet also resumed services on previously discontinued routes to Chicago and Austin in May 2023. Total aircraft landings, which include both passenger and non-passenger movements, increased 4.5% and 10.8% in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022. With the resumption of operations of Edelweiss Air in May 2023, and the commencement of operations of Porter in early 2023, there were 16 airlines operating at YYC during the first nine months of 2023, compared to 15 that were operating during the same period of 2022.

During the third quarter of 2023, total MTOW was 1,846.7 million kilograms, an increase of 14.1% from the same period of 2022. This change was driven mainly by the 15.2% increase in passenger MTOW due to the increase in landings and larger aircraft being utilized by carriers, including the introduction of Boeing 787 Dreamliner planes by Westjet for newly introduced International routes. For the first nine months of 2023, total MTOW was 4,827.8 million kilograms, an increase of 19.2% from the same period of 2022.

Landed Passenger Seats in the third quarter of 2023 were 3.2 million, an increase of 0.5 million, or 15.0%, compared to 2.7 million seats in the same period of 2022. The average number of seats per passenger aircraft movement during the third quarter of 2023 was 146.1, an increase of 13.5 seats, or 10.2%, compared to 132.6 seats per passenger aircraft movement in the same period in 2022, due to carriers utilizing larger aircraft. Load factor increased 6.3 percentage points from 82.5% in the third quarter of 2022, to 88.8% in the third quarter of 2023, which is the highest Q3 load factor since 2019.

Landed Passenger Seats for the first nine months of 2023 were 8.2 million, an increase of 1.6 million, or 23.1%, compared to 6.6 million seats in the same period of 2022. The average number of seats per passenger aircraft

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movement were 142.0, an increase of 8.3%, compared to 131.1 seats during the same period in 2022. Load factor increased by 6.3 percentage points from 79.4% to 85.7% for the nine months ended September 30, 2023, which is the highest nine month load factor since 2019.

In the third quarter of 2023, Cargo landings decreased 1.2% to 1,267, from 1,282 in the same period of 2022, while Cargo MTOW increased 3.0% over the same period, as larger aircraft were utilized to meet cargo demand, which reduced the number of landings required. Cargo landings decreased 10.5%, from 4,101 to 3,671, in the first nine months of 2022 and 2023, while Cargo MTOW decreased by 11.4% over the same period, as the demand for Cargo shipments move towards pre-pandemic levels and organic market growth as opposed to inflated growth experienced during COVID-19. Additionally, as passenger aircraft movements increase, more belly cargo is carried on commercial passenger flights, rather than using cargo freighters.

## FINANCIAL PERFORMANCE

### Net Operating Results

The following table summarizes the Authority's net operating results for the three and nine months ended September 30, 2023 and 2022.

NET OPERATING RESULTS (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
			\$ Change			\$ Change
<b>Net Income (Loss)</b>	<b>14.6</b>	7.3	7.3	<b>(10.8)</b>	(46.8)	36.0
Post-employment pension benefits loss	<b>(6.7)</b>	—	(6.7)	<b>(3.2)</b>	—	(3.2)
<b>Income (Loss) from Operations</b>	<b>21.3</b>	7.3	14.0	<b>(7.6)</b>	(46.8)	39.2
Add: Interest and financing costs	<b>28.3</b>	29.0	(0.7)	<b>85.3</b>	86.2	(0.9)
Depreciation and amortization	<b>34.2</b>	34.1	0.1	<b>102.5</b>	102.2	0.3
<b>EBITDA</b>	<b>83.8</b>	70.4	13.4	<b>180.2</b>	141.6	38.6
EBITDA Margin (%)	<b>54.9%</b>	54.4%	0.5 pts	<b>47.8%</b>	46.5%	1.3 pts

The Authority incurred net income from operations of \$21.3 million and a net loss from operations of \$7.6 million for the three and nine months ended September 30, 2023, respectively, compared to income from operations of \$7.3 million and loss from operations of \$46.8 million for the same periods of 2022. The main driver of the improved results in 2023 was due to higher revenues from the increase in passenger and flight activity in 2023. This increase in revenue was partially offset by higher expenses from the increased operational costs to meet the increased passenger activity, higher Canada Lease rent from increased airport revenues, and higher salaries and benefits due to the increased staffing levels required to meet the operational demand of the increased passenger and flight activity.

EBITDA was \$83.8 million and \$180.2 million for the three and nine months ended September 30, 2023, respectively, an increase of \$13.4 million and \$38.6 million, compared to the same periods of 2022. The EBITDA Margin was 54.9% and 47.8% for the three and nine months ended September 30, 2023, respectively, an increase of 0.5 percentage points and 1.3 percentage points, compared to the same periods of 2022. The increase in EBITDA for the three and nine months ended September 30, 2023 was due to increased revenue from the higher flight and passenger activity experienced as WestJet further established YYC as its global hub airport.

### 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 revenues ("NAR") (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.

NAR is earned from non-aeronautical commercial activities, such as concessions, real estate, parking, ground transportation, and other revenue. A significant portion of NAR is directly correlated with passenger activity.



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The following table summarizes the Authority's revenues for the three and nine months ended September 30, 2023 and 2022.

REVENUES (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
			\$ Change			\$ Change
<b>Airport Improvement Fees</b>	<b>65.7</b>	51.3	14.4	<b>159.1</b>	115.7	43.4
Concessions	<b>34.6</b>	26.0	8.6	<b>70.7</b>	48.6	22.1
Car parking	<b>12.4</b>	9.9	2.5	<b>36.6</b>	26.0	10.6
Land rental	<b>6.2</b>	5.9	0.3	<b>18.0</b>	17.6	0.4
Terminal space rental	<b>2.4</b>	2.4	—	<b>7.5</b>	7.0	0.5
Interest income	<b>2.7</b>	1.3	1.4	<b>7.1</b>	1.6	5.5
Other revenue	<b>0.2</b>	0.5	(0.3)	<b>1.1</b>	2.8	(1.7)
<b>Non-Aeronautical Revenues</b>	<b>58.5</b>	46.0	12.5	<b>141.0</b>	103.6	37.4
General terminal fees	<b>12.9</b>	14.7	(1.8)	<b>34.6</b>	39.3	(4.7)
Aircraft landing fees	<b>10.3</b>	11.9	(1.6)	<b>28.0</b>	31.2	(3.2)
Other aeronautical fees	<b>5.2</b>	5.6	(0.4)	<b>13.9</b>	14.9	(1.0)
<b>Aeronautical Revenues</b>	<b>28.4</b>	32.2	(3.8)	<b>76.5</b>	85.4	(8.9)
<b>Total Revenues</b>	<b>152.6</b>	129.5	23.1	<b>376.6</b>	304.7	71.9
			% Change			% Change
Non-Aeronautical Revenue per Enplanement	\$ <b>20.87</b>	\$ 20.32	2.7	\$ <b>20.16</b>	\$ 19.67	2.5
Aeronautical Revenues per Landed Passenger Seat	\$ <b>9.00</b>	\$ 11.73	(23.3)	\$ <b>9.37</b>	\$ 12.88	(27.3)

AIF revenue was \$65.7 million and \$159.1 million for the three and nine months ended September 30, 2023, respectively, an increase of \$14.4 million, or 28.1%, and \$43.4 million, or 37.5%, compared to the same periods of 2022. The driver for the increased AIF revenue in the periods was local enplanement passenger traffic growth.

Total NAR in the third quarter of 2023 increased by \$12.5 million, or 27.2%, while NAR for the first nine months of 2023 increased \$37.4 million, or 36.1%, from 2022. The increases are mainly due to higher passenger activity and targeted commercial initiatives, such as higher negotiated yields with key Retail partners, and increased Public Parking and Monthly Parking rates for the full year, 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, coupled with increased yields on leases with key Retail partners, the positive effects can be seen in the Concessions revenue results. Concessions revenue was \$34.6 million and \$70.7 million in the three and nine months ended September 30, 2023, respectively, an increase of \$8.6 million, or 33.1%, and \$22.1 million, or 45.5%, compared to the same periods of 2022. In June 2023, the Authority entered into a sponsorship agreement with Rogers Communications which began generating Sponsorship revenue.

Car parking revenue was \$12.4 million and \$36.6 million in the three and nine months ended September 30, 2023, respectively, an increase of \$2.5 million, or 25.3%, and \$10.6 million, or 40.8%, compared to the same periods of 2022. The increase was mainly driven by public parking from the increase in passenger activity in the year, an increase in parking rates effective January 2023 and further increase effective July 2023, and the continued growth of YYC's online reservation system which has led to higher revenue growth due to higher booking activity. The Authority initiated parkade restoration and cleaning programs at YYC in the second quarter of 2023 that will continue to November of this year, limiting the number of stalls available to the public.

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 \$6.2 million and \$18.0 million in the three and nine months ended September 30, 2023, respectively, an increase of \$0.3 million, or 5.1%, and \$0.4 million, or 2.3%, compared to the same periods of 2022. The increase in revenue for the three and nine months ended September was due to the addition of new tenants such as Calgary Casino and United Parcel Services, year-over-year rent escalations, and other lease amendments with existing tenants, partially offset by lease expiration for some tenants.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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 \$7.5 million in the three and nine months ended September 30, 2023, respectively, no change, and \$0.5 million, or 7.1% higher, compared to the same periods of 2022. The year-to-date increase is attributable to current tenants and new tenants adding additional leased terminal space, and annual rate increases implemented on January 1, 2023.

Other revenue comprises revenue generated from activities such as Federal rent recovery fees, construction services, insurance proceeds, and pass office fees. Other revenue in the third quarter of 2023 decreased \$0.3 million, while in the first nine months of 2023, Other Revenue was \$1.1 million, a decrease of \$1.7 million from 2022, primarily due to \$1.5 million of insurance proceeds being received in the 2022 comparative period.

Total Aeronautical revenue of \$28.4 million and \$76.5 million in the three and nine months ended September 30, 2023, respectively, were \$3.8 million, or 11.8%, and \$8.9 million, or 10.4%, lower than the same periods of 2022. Despite a period-over-period increase in aircraft landings, passenger seats and MTOW, overall aeronautical revenue has declined, as the Authority has entered into long-term commercial agreements with airline partners which include rebates of Aeronautical Fees if certain growth thresholds are achieved. The allocation of these rebates in the third quarter of 2023 resulted in a \$1.8 million, or 12.2% decrease in General terminal fees, a \$1.6 million, or 13.4%, decrease in Aircraft landing fees and a \$0.4 million, or 7.1%, decrease in Other aeronautical fees. Similarly, for the nine months ended September 30, 2023, the allocation of rebates resulted in a \$4.7 million, or 12.0%, decrease in General terminal fees, a \$3.2 million, or 10.3%, decrease in Aircraft landing fees, and a \$1.0 million, or 6.7%, decrease in Other aeronautical fees.

### 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 and nine months ended September 30, 2023 and 2022.

EXPENSES (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22	2023	2022	2023/22
			\$ Change			\$ Change
Goods and services	35.0	29.6	(5.4)	102.6	84.5	(18.1)
Salaries and benefits	10.6	9.0	(1.6)	34.5	28.5	(6.0)
Property taxes	4.9	4.4	(0.5)	14.8	12.9	(1.9)
<b>Direct Operating Costs</b>	<b>50.5</b>	<b>43.0</b>	<b>(7.5)</b>	<b>151.9</b>	<b>125.9</b>	<b>(26.0)</b>
Canada Lease	15.7	14.3	(1.4)	38.2	31.5	(6.7)
Airport improvement fee handling fees	2.6	1.8	(0.8)	6.3	5.7	(0.6)
<b>Total Operating Expenses</b>	<b>68.8</b>	<b>59.1</b>	<b>(9.7)</b>	<b>196.4</b>	<b>163.1</b>	<b>(33.3)</b>
Depreciation and amortization	34.2	34.1	(0.1)	102.5	102.2	(0.3)
Interest and financing costs	28.3	29.0	0.7	85.3	86.2	0.9
Pension benefits remeasurement loss	6.7	—	(6.7)	3.2	—	(3.2)
<b>Total Expenses</b>	<b>138.0</b>	<b>122.2</b>	<b>(15.8)</b>	<b>387.4</b>	<b>351.5</b>	<b>(35.9)</b>
			% Change			% Change
Direct Operating Costs per E&D Passenger	\$ 9.00	\$ 9.48	5.1	\$ 10.77	\$ 11.89	9.4

Goods and services increased by \$5.4 million, or 18.2%, and \$18.1 million, or 21.4%, in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022. In early 2022, certain large operational service contracts were still operating at reduced levels and funding related to enforcement of pandemic travel restrictions was still offsetting a portion of costs. All contracts are now operating at pre-pandemic levels, resulting in increased costs. In addition, inflationary pressures have caused significant cost increases in most operational contracts. New initiatives in several areas, including technology modernization, software enhancements and process improvements have also driven a portion of the year-over-year increase. Utility costs have risen due to higher carbon tax rates and rapidly increasing distribution-related fees, which are largely based on market rates. The remaining increase was driven by several factors related to higher passenger activity at the Airport, including increased maintenance costs, supplies consumption and credit card fees.

## MANAGEMENT'S DISCUSSION & ANALYSIS

Salaries and benefits costs increased by \$1.6 million, or 17.8%, and \$6.0 million, or 21.1%, in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022, driven mainly by direct salary costs due to the increase in staffing levels required to support the higher passenger traffic.

Canada Lease expense at YYC increased by \$1.4 million, or 9.8%, and \$6.7 million, or 21.3%, in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022 due to higher revenues at YYC. The Canada Lease expense for 2023 and 2022 was recorded based on the contractual lease rate multiplied by the actual qualifying revenues for the entire period.

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 Handling Fee expense of \$2.6 million and \$6.3 million in the three and nine months ended September 30, 2023, respectively, was \$0.8 million, or 44.4%, and \$0.6 million, or 10.5%, higher than the same periods of 2022 due to higher AIF Revenue, partially offset by a reduction in handling fee rate from reaching the passenger activity threshold.

Interest and financing costs of \$28.3 million and \$85.3 million in the three and nine months ended September 30, 2023, respectively, were \$0.7 million, or 2.4% lower, and \$0.9 million, or 1.0%, lower than the same periods of 2022, which was consistent with the Authority's interest payment schedule, as long-term debt has declined in 2023.

Pension benefits remeasurement resulted in losses of \$6.7 million and \$3.2 million in the three and nine months ended September 30, 2023, respectively, primarily due to a negative return on plan assets.

### Summary of Quarterly Results

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

(\$ millions)	Quarter Ended							
	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	152.6	121.2	102.8	111.2	129.5	102.4	72.8	74.4
Operating expenses	(68.8)	(62.4)	(65.2)	(60.1)	(59.1)	(53.5)	(50.5)	(48.0)
<b>EBITDA</b>	83.8	58.8	37.6	51.1	70.4	48.9	22.3	26.4
Depreciation and amortization	(34.2)	(34.2)	(34.1)	(34.2)	(34.1)	(34.1)	(34.0)	(34.1)
Interest and financing costs	(28.3)	(28.5)	(28.5)	(27.2)	(29.0)	(28.7)	(28.5)	(172.4)
Post-employment pension benefits (loss) gain	(6.7)	(1.2)	4.7	(22.3)	—	—	—	9.6
<b>Net Income (Loss)</b>	14.6	(5.1)	(20.3)	(32.6)	7.3	(13.9)	(40.2)	(170.5)

*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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### 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 and nine months ended September 30, 2023 and 2022.

CAPITAL EXPENDITURES (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22 \$ Change	2023	2022	2023/22 \$ Change
Improvement Projects	5.3	6.3	(1.0)	15.8	11.2	4.6
Restoration Capital	15.4	4.9	10.5	23.8	11.5	12.3
Revenue Projects	0.1	1.9	(1.8)	0.8	2.5	(1.7)
<b>Capital Expenditures</b>	<b>20.8</b>	<b>13.1</b>	<b>7.7</b>	<b>40.4</b>	<b>25.2</b>	<b>15.2</b>
Acreage Assessment	—	—	—	4.5	—	4.5
Capital Leases	—	—	—	1.4	—	1.4
<b>Total Capital</b>	<b>20.8</b>	<b>13.1</b>	<b>7.7</b>	<b>46.3</b>	<b>25.2</b>	<b>21.1</b>

Capital expenditures in the third quarter of 2023 were \$20.8 million, an increase of \$7.7 million compared to the same period of 2022, primarily due to capital project work relating to pavement restoration and electrical distribution system initiatives. The planned capital expenditures for 2023 is \$59.8 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	\$6.3	\$17.0	\$201.0	2025
Airside Pavement Restoration Program**	Remove & replace aging concrete apron panels	\$7.2	\$7.2	N/A	N/A
Fire Sprinkler System Restoration	Modernize Fire Sprinkler System in the Domestic Terminal Building	\$1.7	\$7.3	\$50.0	2034
Parkade Restoration	Upgrade aging infrastructure in the P1 parkade	\$2.5	\$6.1	\$30.0	2030
Concourse B Transformer Upgrades	Upgrade the electrical distribution system in Concourse B	\$3.6	\$4.3	\$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. To date the Authority has received \$9.1 million and has currently accrued \$1.6 million for claims submitted.

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

## MANAGEMENT'S DISCUSSION & ANALYSIS

### ASSETS AND LIABILITIES

Total consolidated assets, liabilities and net deficit as at September 30, 2023 and December 31, 2022 are set out in the following table:

<b>Net Assets (\$ millions)</b>	<b>As at Sept 30, 2023</b>	<b>As at Dec 31, 2022</b>	<b>2023/22 \$ Change</b>
Total assets	<b>3,189.7</b>	3,186.3	3.4
Total liabilities	<b>3,432.7</b>	3,418.5	(14.2)
<b>Net deficit</b>	<b>(243.0)</b>	(232.2)	(10.8)

At September 30, 2023, when compared to December 31, 2022, the Authority's Total assets increased by \$3.4 million, primarily due to a \$60.3 million increase in Cash and cash equivalents, offset by a \$56.2 million decrease in Capital and Intangible Assets and a \$2.9 million decrease in Pension assets. The Authority's Total liabilities increased by \$14.2 million, primarily due to a \$27.9 million accrual in Interest payable on long-term debt, partially offset by a \$12.6 million decrease in Accounts payable and accrued liabilities, as well as a \$3.3 million reduction of Long-Term Debt.

The Authority has a Net deficit position of \$243.0 million as at September 30, 2023, 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. The Net deficit has increased by \$10.8 million, compared to December 31, 2022, due to the Loss from Operations generated in the period.

### LIQUIDITY AND CAPITAL RESOURCES

The following table provides cash flow information for the three and nine months ended September 30, 2023:

<b>CASHFLOW (\$ millions)</b>	<b>For the three months ended Sept 30</b>			<b>For the nine months ended Sept 30</b>		
	<b>2023</b>	2022	2023/22 \$ Change	<b>2023</b>	2022	2023/22 \$ Change
Cash generated by operating activities	<b>81.5</b>	75.1	6.4	<b>112.4</b>	106.3	6.1
Cash used in investing activities	<b>(14.8)</b>	(15.5)	0.7	<b>(47.8)</b>	(26.3)	(21.5)
Cash used in financing activities	<b>(0.3)</b>	(0.1)	(0.2)	<b>(4.3)</b>	(4.0)	(0.3)
<b>Increase in cash and cash equivalents</b>	<b>66.4</b>	59.5	6.9	<b>60.3</b>	76.0	(15.7)

Net cash flows increased \$66.4 million for the three months ended September 30, 2023, an increase of \$6.9 million compared to the same period of 2022, due to higher cash generated from operating activities and lower cash used in investing activities. Net cash flows increased \$60.3 million for the nine months ended September 30, 2023, a decrease of \$15.7 million compared to the same period of 2022 due to higher cash used in investing activities, partially offset by higher cash generated by operating activities during the period.

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following table provides information on the Authority's Free Cash Flow for the three and nine months ended September 30, 2023:

CASHFLOW (\$ millions)	For the three months ended Sept 30			For the nine months ended Sept 30		
	2023	2022	2023/22 \$ Change	2023	2022	2023/22 \$ Change
<b>Net Income (Loss)</b>	<b>14.6</b>	7.3	7.3	<b>(10.8)</b>	(46.8)	36.0
Add: Depreciation and amortization	<b>34.2</b>	34.1	0.1	<b>102.5</b>	102.2	0.3
Interest and financing costs	<b>28.3</b>	29.0	(0.7)	<b>85.3</b>	86.2	(0.9)
Pension benefits remeasurement loss	<b>6.7</b>	—	6.7	<b>3.2</b>	—	3.2
<b>EBITDA</b>	<b>83.8</b>	70.4	13.4	<b>180.2</b>	141.6	38.6
Less: Interest and financing costs, net of prepayment penalty and deferrals	<b>(28.3)</b>	(29.0)	0.7	<b>(85.3)</b>	(86.2)	0.9
<b>Free Cash Flow</b>	<b>55.5</b>	41.4	14.1	<b>94.9</b>	55.4	39.5
			% Change			% Change
Free Cash Flow per E&D Passenger	\$ <b>9.89</b>	\$ 9.13	8.3	\$ <b>6.73</b>	\$ 5.23	28.7

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 September 30, 2023 and December 31, 2022:

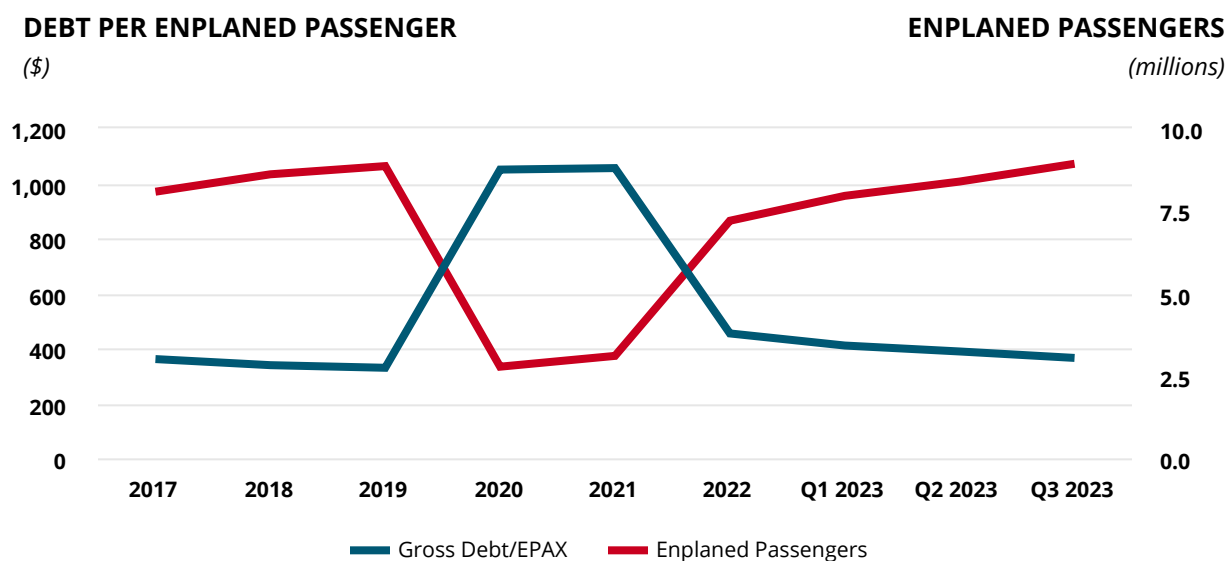
LONG TERM DEBT (\$ millions)	As at Sept 30, 2023	As at Dec 31, 2022	2023/22 \$ Change
Long Term Debt, including current portion	<b>3,266.7</b>	3,269.8	3.1
Cash	<b>233.9</b>	173.6	60.3
<b>Net Debt</b>	<b>3,032.8</b>	3,096.2	63.4
<b>Key Credit Metrics</b>			% Change
Debt Service Coverage Ratio	<b>2.05</b>	1.65	
Gross Debt Service Coverage Ratio	<b>6.34</b>	5.01	
Gross Debt/Enplaned Passenger (\$)	\$ <b>365.98</b>	\$ 454.32	19.4
Net Debt/Enplaned Passenger (\$)	\$ <b>339.77</b>	\$ 430.20	21.0

Key Credit Metrics in the above table have been calculated based on operating results for the twelve months ended September 30, 2023, for the purpose of providing an annualized metric.

As at September 30, 2023, long-term debt declined by \$3.1 million, while net debt decreased by \$63.4 million to \$3.0 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 at the year-end balance sheet date. Based on a trailing twelve-month calculation, the Authority has met the required Debt Service Coverage Ratio and Gross Debt Service Coverage Ratio thresholds as per the MTI Agreement, as at September 30, 2023.

## MANAGEMENT'S DISCUSSION & ANALYSIS



Gross debt per enplaned passenger is one of the airport industry's key financial metrics. As at September 30, 2023, gross debt per enplaned passenger decreased to \$365.98, while net debt per enplaned passenger decreased to \$339.77, both as a result of the increase in passenger activity experienced in the third quarter of 2023. 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 September 30, 2023 and December 31, 2022:

LIQUIDITY & CREDIT FACILITIES (\$ millions)	As at Sept 30, 2023	As at Dec 31, 2022	2023/22 \$ Change
<b>Cash and cash equivalents</b>	<b>233.9</b>	173.6	60.3
<b>Credit facilities:</b>			
Available Operating Credit Facility	<b>332.5</b>	332.5	—
Less: Letters issued	<b>(50.7)</b>	(49.3)	(1.4)
Operating Credit Facility	<b>281.8</b>	283.2	(1.4)
<b>Total net liquidity (including cash and cash equivalents)</b>	<b>515.7</b>	456.8	58.9
Available Letter of Credit Facility	<b>70.0</b>	70.0	—
Less: Letters issued	<b>(67.5)</b>	(60.0)	(7.5)
<b>Letter of Credit Facility</b>	<b>2.5</b>	10.0	(7.5)

As at September 30, 2023, the Authority's total net liquidity was \$515.7 million, an increase of \$58.9 million, or 12.9%, from December 31, 2022. The increase during 2023 was a result of an extra \$60.3 million in available Cash and cash equivalents, partially offset by \$1.4 million of additional letters of credit being issued during the period. The increase in available Cash and cash equivalents was mainly due to \$112.4 million cash generated from operating activities in the period partially offset by \$47.8 million cash used in investing activities and \$4.3 million cash used in financing activities.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## 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 Cash Flow per E&D Passenger is defined as Free Cash Flow over total Enplaned and Deplaned (E&D) passengers. Free Cash Flow per E&D Passenger is used to evaluate how effective the business is at turning volume into residual cash flow 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 NAR 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.



## MANAGEMENT'S DISCUSSION & ANALYSIS

### 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 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", "trend" 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: expected domestic and international passenger traffic, cargo and aircraft movements; expected return to pre-COVID-19 passenger and flight levels; future 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; expected revenues, cash flows, working capital and liquidity; capital projects and other programs and developments at YYC and the anticipated effects, timing, budgets and funding of such projects, programs and developments; forecasted capital expenditures for certain capital projects; and the funding of outstanding capital commitments.

Other material factors and assumptions include: government and passenger actions; the post-pandemic economic recovery, including the continued recovery of flight and passenger activity to pre-pandemic levels; 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; the expected duration and cost of land lease agreements at YYC; no other significant event such as a pandemic, 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; the Authority will be able to repay or refinance its existing debt as it becomes due; 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

## MANAGEMENT'S DISCUSSION & ANALYSIS

materially from the results expressed or implied by forward-looking information include, but are not limited to: 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; reliance on third parties, including airlines, to successfully operate and maintain their operations; 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; public health emergencies; capital market conditions and credit rating risk; competition from other airports; extended interruptions or disruptions in operations at YYC; 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 Canada Lease and the Springbank 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 except as required by law.

# **THE CALGARY AIRPORT AUTHORITY INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2023**

# BALANCE SHEET *(unaudited)*

## As at September 30, 2023 and December 31, 2022

<i>(\$ millions)</i>	<b>Note</b>	<b>September 30, 2023</b>	December 31, 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 233.9	\$ 173.6
Accounts receivable		34.6	35.4
Inventory		8.4	7.4
Prepaid expenses		5.7	3.3
		<b>282.6</b>	219.7
<b>Tenant Inducements</b>		<b>4.0</b>	4.4
<b>Other long-term assets and prepaid expenses</b>		<b>2.7</b>	2.7
<b>Capital Assets</b>	3	<b>2,888.8</b>	2,946.8
<b>Intangible Assets</b>	4	<b>2.8</b>	1.0
<b>Pension Asset</b>		<b>8.8</b>	11.7
		<b>\$ 3,189.7</b>	\$ 3,186.3
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		<b>45.3</b>	57.9
Interest payable on long-term debt	5	<b>54.4</b>	26.5
Deferred revenue		<b>1.4</b>	0.5
Current portion of other long-term liabilities		<b>17.8</b>	11.2
Current portion of long-term debt	5, 9	<b>7.7</b>	7.5
		<b>126.6</b>	103.6
<b>Other Long-term Liabilities</b>		<b>34.8</b>	39.4
<b>Pension Liability</b>		<b>12.3</b>	13.2
<b>Long-term Debt</b>	5, 9	<b>3,259.0</b>	3,262.3
		<b>\$ 3,432.7</b>	\$ 3,418.5
<b>Net Deficit</b>		<b>(243.0)</b>	(232.2)
		<b>\$ 3,189.7</b>	\$ 3,186.3

See accompanying notes to the financial statements.

# STATEMENT OF OPERATIONS AND NET DEFICIT *(unaudited)*

## For the three and nine months ended September 30, 2023

(\$ millions)	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>REVENUES</b>					
Airport improvement fees	\$	65.7	\$ 51.3	\$ 159.1	\$ 115.7
Non-aeronautical revenues					
Concessions		34.6	26.0	70.7	48.6
Car parking		12.4	9.9	36.6	26.0
Land rental		6.2	5.9	18.0	17.6
Terminal space rental		2.4	2.4	7.5	7.0
Interest income		2.7	1.3	7.1	1.6
Other revenue		0.2	0.5	1.1	2.8
		<b>58.5</b>	46.0	<b>141.0</b>	103.6
Aeronautical revenues					
General terminal fees		12.9	14.7	34.6	39.3
Aircraft landing fees		10.3	11.9	28.0	31.2
Other aeronautical fees		5.2	5.6	13.9	14.9
		<b>28.4</b>	32.2	<b>76.5</b>	85.4
		<b>152.6</b>	129.5	<b>376.6</b>	304.7
<b>EXPENSES</b>					
Goods and services		35.0	29.6	102.6	84.5
Salaries and benefits		10.6	9.0	34.5	28.5
Canada Lease		15.7	14.3	38.2	31.5
Property taxes		4.9	4.4	14.8	12.9
Airport improvement fee handling fees		2.6	1.8	6.3	5.7
		<b>68.8</b>	59.1	<b>196.4</b>	163.1
<b>Earnings before interest and financing costs and amortization</b>		<b>83.8</b>	70.4	<b>180.2</b>	141.6
Depreciation and amortization	3, 4	34.2	34.1	102.5	102.2
Interest and financing costs	10	28.3	29.0	85.3	86.2
<b>Income (Loss) from Operations</b>	<b>\$</b>	<b>21.3</b>	<b>\$ 7.3</b>	<b>(7.6)</b>	<b>(46.8)</b>
<b>Other Expense</b>					
Post-employment pension benefits remeasurement loss	\$	(6.7)	—	(3.2)	—
<b>Net Income (Loss)</b>	<b>\$</b>	<b>14.6</b>	<b>\$ 7.3</b>	<b>(10.8)</b>	<b>(46.8)</b>
<b>Net Deficit, Beginning of Period</b>	<b>\$</b>	<b>(257.6)</b>	<b>(206.9)</b>	<b>(232.2)</b>	<b>(152.8)</b>
<b>Net Deficit, End of Period</b>	<b>\$</b>	<b>(243.0)</b>	<b>(199.6)</b>	<b>(243.0)</b>	<b>(199.6)</b>

See accompanying notes to the financial statements.

# STATEMENT OF CASH FLOWS *(unaudited)*

## For the three and nine months ended September 30, 2023

(\$ millions)	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
<b>OPERATING</b>					
Net Income (Loss)		\$ 14.6	\$ 7.3	\$ (10.8)	\$ (46.8)
Adjustments:					
Depreciation and amortization	3, 4	34.2	34.1	102.5	102.2
Amortization of deferred financing costs	10	0.2	0.2	0.6	0.6
Post-employment pension benefits	8	6.0	—	2.1	—
		55.0	41.6	94.4	56.0
Changes in non-cash working capital:					
Accounts receivable		(0.9)	(6.6)	0.8	(10.3)
Inventory		(0.6)	0.3	(1.0)	(1.5)
Prepaid expenses		(2.3)	(1.9)	(2.4)	—
Tenant Inducements		0.1	0.2	0.4	0.4
Other long-term assets and prepaid expenses		0.1	(0.1)	—	1.0
Accounts payable and accrued liabilities		3.0	6.3	(11.1)	18.9
Interest payable on long-term debt		28.4	28.4	27.9	27.9
Deferred revenue		0.9	0.4	0.9	0.3
Other liabilities		(2.2)	6.5	2.5	13.6
		26.5	33.5	18.0	50.3
Cash provided by operating activities		81.5	75.1	112.4	106.3
<b>FINANCING</b>					
Repayment on long-term debt	5	—	—	(3.7)	(3.6)
Repayment of lease liabilities		(0.3)	(0.1)	(0.6)	(0.4)
Cash used in financing activities		(0.3)	(0.1)	(4.3)	(4.0)
<b>INVESTING</b>					
Investment in capital and intangible assets	3, 4	(20.8)	(13.1)	(46.3)	(25.2)
Change in accounts payable and accrued liabilities related to capital and intangible assets		6.0	(2.4)	(1.5)	(1.1)
Cash used in investing activities		(14.8)	(15.5)	(47.8)	(26.3)
<b>Increase in cash and cash equivalents</b>		\$ 66.4	\$ 59.5	\$ 60.3	\$ 76.0
<b>Cash and cash equivalents, beginning of period</b>		\$ 167.5	\$ 137.4	\$ 173.6	\$ 120.9
<b>Cash and cash equivalents, end of period</b>		\$ 233.9	\$ 196.9	\$ 233.9	\$ 196.9
Cash and cash equivalents consists of:					
Cash in bank				\$ 173.9	\$ 196.9
Short-term investments				\$ 60.0	\$ —
				\$ 233.9	\$ 196.9

See accompanying notes to the financial statements.

# Notes to Financial Statements *(unaudited)*

## As at and for the three and nine months ended September 30, 2023

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

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### 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 3 and 4. 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.

These interim financial statements were approved for circulation on November 22, 2023 by the Audit and Finance Committee.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of measurement and presentation**

These unaudited interim financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles ("GAAP"). These financial statements do not include all the disclosures required in the annual financial statements and should be read in conjunction with the Authority's financial statements for the year ended December 31, 2022, prepared according to ASPE. The interim 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.

These unaudited interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the Authority's 2022 annual audited financial statements.

#### **Use of estimates and measurement uncertainty**

The preparation of interim 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 interim financial statements and the reported amounts of revenues, expenses and other income (loss) 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.

# Notes to Financial Statements (unaudited)

## As at and for the three and nine months ended September 30, 2023

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

### 3 CAPITAL ASSETS

As at September 30, 2023	Land	Leased Land	Buildings & Structures	Computer Equipment	Vehicles	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Total
<b>Cost</b>									
Beginning Balance	\$ 5.8	\$ 29.6	\$ 4,205.8	\$ 40.4	\$ 45.3	\$ 162.2	\$ 20.3	\$ 42.9	\$ 4,552.3
<b>Additions</b>	—	<b>4.7</b>	<b>0.7</b>	—	<b>1.4</b>	<b>0.1</b>	—	<b>37.3</b>	<b>44.2</b>
<b>Transfers</b>	—	—	<b>24.3</b>	<b>1.5</b>	—	<b>0.8</b>	<b>2.7</b>	<b>(29.3)</b>	—
<b>Disposals and write-offs</b>	—	—	<b>(0.2)</b>	<b>(6.6)</b>	<b>(0.1)</b>	<b>(4.7)</b>	<b>(0.6)</b>	—	<b>(12.2)</b>
<b>Ending Balance</b>	<b>5.8</b>	<b>34.3</b>	<b>4,230.6</b>	<b>35.3</b>	<b>46.6</b>	<b>158.4</b>	<b>22.4</b>	<b>50.9</b>	<b>4,584.3</b>
<b>Accumulated Amortization</b>									
Beginning Balance	—	5.9	1,471.2	40.3	36.1	44.1	7.9	—	1,605.5
<b>Depreciation &amp; Amortization</b>	—	<b>0.4</b>	<b>94.1</b>	<b>0.7</b>	<b>1.5</b>	<b>4.9</b>	<b>0.6</b>	—	<b>102.2</b>
<b>Disposals and write-offs</b>	—	—	<b>(0.2)</b>	<b>(6.6)</b>	<b>(0.1)</b>	<b>(4.7)</b>	<b>(0.6)</b>	—	<b>(12.2)</b>
<b>Ending Balance</b>	—	<b>6.3</b>	<b>1,565.1</b>	<b>34.4</b>	<b>37.5</b>	<b>44.3</b>	<b>7.9</b>	—	<b>1,695.5</b>
<b>Net Carrying Value</b>									
December 31, 2022	\$ 5.8	\$ 23.7	\$ 2,734.6	\$ 0.1	\$ 9.2	\$ 118.1	\$ 12.4	\$ 42.9	\$ 2,946.8
<b>September 30, 2023</b>	<b>\$ 5.8</b>	<b>\$ 28.0</b>	<b>\$ 2,665.5</b>	<b>\$ 0.9</b>	<b>\$ 9.1</b>	<b>\$ 114.1</b>	<b>\$ 14.5</b>	<b>\$ 50.9</b>	<b>\$ 2,888.8</b>

Construction in progress balance consists of costs capitalized for both airside and groundside facility improvement projects. As at September 30, 2023, interest capitalized in construction in progress was \$0.6 million (December 31, 2022 – \$0.5 million).

### 4 INTANGIBLE ASSETS

As at September 30, 2023	Computer Software	Work in Progress	Total
<b>Cost</b>			
Beginning Balance	\$ 39.0	\$ —	\$ 39.0
<b>Additions</b>	—	<b>2.1</b>	<b>2.1</b>
<b>Transfers</b>	<b>0.2</b>	<b>(0.2)</b>	—
<b>Ending Balance</b>	<b>39.2</b>	<b>1.9</b>	<b>41.1</b>
<b>Accumulated Amortization</b>			
Beginning Balance	38.0	—	38.0
<b>Depreciation &amp; Amortization</b>	<b>0.3</b>	—	<b>0.3</b>
<b>Ending Balance</b>	<b>38.3</b>	—	<b>38.3</b>
<b>Net Carrying Value</b>			
December 31, 2022	\$ 1.0	\$ —	\$ 1.0
<b>September 30, 2023</b>	<b>\$ 0.9</b>	<b>\$ 1.9</b>	<b>\$ 2.8</b>

### 5 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.



# Notes to Financial Statements *(unaudited)*

## As at and for the three and nine months ended September 30, 2023

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

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

Supplemental Indenture	Series	Interest Rate	Maturity Date	September 30, 2023	December 31, 2022
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	417.9	420.3
Second	4002957	2.2580%	October 7, 2031	162.1	163.4
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				3,278.9	3,282.6
Less: Debt issuance costs				(12.2)	(12.8)
Less: Current portion				(7.7)	(7.5)
Long-term debt				3,259.0	3,262.3

The MTI Agreement contains certain financial covenants to be calculated on a yearly basis at the year-end balance sheet date.

## 6 CREDIT FACILITIES

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 September 30, 2023 and December 31, 2022, the amount drawn on the Operating Facility was \$nil.

The letters of credit that were outstanding under the Operating Facility as at September 30, 2023 total \$50.7 million (December 31, 2022 - \$49.3 million) which were issued for specific operational expenses including a letter of credit of \$39.3 million (December 31, 2022 - \$28.6 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.

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 September 30, 2023, the letter of credit that was outstanding under the L/C Facility is \$67.5 million (December 31, 2022 - \$60.0 million). Which includes a letter of credit of \$58.5 million (December 31, 2022 - \$ 58.5 million) 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, 2024.

# Notes to Financial Statements *(unaudited)*

## As at and for the three and nine months ended September 30, 2023

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

As of September 30, 2023 and December 31, 2022, 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 will calculate these on a yearly basis at the year-end, balance sheet date.

### 7 GOVERNMENT ASSISTANCE

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. The Authority obtained grant approval in this program in March 2022. As at September 30, 2023, the Authority has recognized \$12.3 million (December 31, 2022 - \$7.0 million) 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.

### 8 EMPLOYEE FUTURE BENEFITS

As at September 30, 2023, the discount rate assumption used to measure the pension benefit obligation remains consistent from December 31, 2022. The discount rate assumption is based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the pension benefit obligations and related plan assets, as at September 30, 2023, the Authority recognized a pension asset of \$8.8 million and pension liability of \$12.3 million (December 31, 2022 - \$11.7 million and \$13.2 million). The Funded Status as at September 30, 2023, is a net deficit of \$3.5 million (net deficit of \$1.5 million at December 31, 2022).

### 9 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 their 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 September 30, 2023, the fair value of the Authority's long-term debt and Canada Lease rent payable is \$2.7 billion (December 31, 2022 - \$2.8 billion).

### 10 INTEREST AND FINANCING COST

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2022	2023	2022
Interest on long-term debt	\$ 28.1	\$ 28.2	\$ 83.6	\$ 84.1
Amortization of deferred financing costs	0.2	0.2	0.6	0.6
Standby fees	0.5	0.1	0.9	0.3
Fair value adjustment on long-term payable	(0.6)	0.4	(0.3)	0.7
Other interest expense	0.1	0.1	0.5	0.5
Interest and financing costs	\$ 28.3	\$ 29.0	\$ 85.3	\$ 86.2

# Notes to Financial Statements *(unaudited)*

## As at and for the three and nine months ended September 30, 2023

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

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### **11 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 September 30, 2023, has a liability of \$9.5 million (December 31, 2022 - \$14.8 million) towards these obligations. The Authority continues to have a commitment to contribute towards the second phase construction and additional land costs.

As of September 30, 2023, the Authority has approximately \$19.4 million in commitments for capital projects commenced during the year. The capital projects include various restoration projects and the construction of a new runway.

### **12 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 nine months ended in September 30, 2023 and 2022 is considered to be derived from airport business and therefore, exempt from income tax.

### **13 COMPARATIVE INFORMATION**

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

### **14 SUBSEQUENT EVENTS**

Subsequent events have been reviewed through November 22, 2023, the date on which these interim financial statements were approved by the Audit and Finance Committee. There were no subsequent events requiring disclosure or adjustment to the interim financial statements.